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LEGISLATIVE HISTORY
Public Law 91-93
H. R. 9825

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INDEX AND SUMMARY OF H. R. 9825

April	2, 1969	Rep. Daniels, N. J., and others introduced H. R. 9825 which was referred to House Post Office and Civil Service Committee. Print of bill.
April	17, 1969	House committee voted to report H. R. 9825.
April	23, 1969	House committee reported H. R. 9825 without amendment. H. Report 91-158. Print of bill and report.
April	25, 1969	Summary of H. R. 9825 as reported.
April	29, 1969	House Rules Committee reported resolution for the consideration of H. R. 9825. H. Res. 380, H. Report 91-179. Print of resolution and report.
June	5, 1969	Sen. McGee introduced S. 2326 which was referred to Senate Post Office and Civil Service Committee. Print of bill as introduced.
July	23, 1969	House passed H. R. 9825 with amendment.
July	24, 1969	H. R. 9825 was referred to Senate Post Office and Civil Service Committee. Print of bill as referred.
July	31, 1969	Senate committee voted to report S. 2326.
Aug.	1, 1969	Senate committee reported S. 2754 without amendment. S. Report 91-339. Print of bill and report. Senate committee also reported H. R. 9825 without amendment. No written report.
Oct.	2, 1969	Senate began debate on S. 2754.
Oct.	3, 1969	Senate passed H. R. 9825 (in lieu of S. 2754) with amendments. Senate conferees were appointed. S. 2754 was indefinitely postponed.
Oct.	7, 1969	House concurred in Senate amendments to H. R. 9825.
Oct.	20, 1969	Approved: Public Law 91-93.

Hearings: Senate Committee on S. 2326.

H. R. 9825

APRIL 2, 1969

A BILL

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 TITLE I—CIVIL SERVICE RETIREMENT

4 FINANCING

5 SEC. 101. Section 8331 of title 5, United States Code,
6 is amended—

7 (1) by striking out “and” at the end of paragraph

$$S \quad (15) ;$$

1 (2) by striking out the period at the end of para-
2 graph (16) and inserting a semicolon in lieu thereof;
3 and

4 (3) by adding immediately below paragraph (16)
5 the following new paragraphs:

6 “(17) ‘normal cost’ means the entry-age normal
7 cost computed by the Civil Service Commission in ac-
8 cordance with generally accepted actuarial practice and
9 expressed as a level percentage of aggregate basic pay;

10 “(18) ‘Fund balance’ means the sum of—

11 “(A) the investments of the Fund calculated
12 at par value; and

13 “(B) the cash balance of the Fund on the
14 books of the Treasury; and

15 “(19) ‘unfunded liability’ means the estimated ex-
16 cess of the present value of all benefits payable from
17 the Fund to employees and Members, and former em-
18 ployees and Members, subject to this subchapter, and to
19 their survivors, over the sum of—

20 “(A) the present value of deductions to be
21 withheld from the future basic pay of employees
22 and Members currently subject to this subchapter
23 and of future agency contributions to be made in
24 their behalf; plus

25 “(B) the present value of Government pay-

1 ments to the Fund under section 8348 (f) of this
2 title; plus

3 “(C) the Fund balance as of the date the un-
4 funded liability is determined.”.

5 SEC. 102. (a) Section 8334 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as follows:

8 “(a) (1) The employing agency shall deduct and with-
9 hold 7 percent of the basic pay of an employee and $7\frac{1}{2}$ per-
10 cent of the basic pay of a Congressional employee and a
11 Member. An equal amount shall be contributed from the
12 appropriation or fund used to pay the employee or, in the
13 case of an elected official, from an appropriation or fund
14 available for payment of other salaries of the same office or
15 establishment. When an employee in the legislative branch is
16 paid by the Clerk of the House of Representatives, the Clerk
17 may pay from the contingent fund of the House the contribu-
18 tion that otherwise would be contributed from the appropria-
19 tion or fund used to pay the employee.

20 “(2) The amounts so deducted and withheld, together
21 with the amounts so contributed, shall be deposited in the
22 Treasury of the United States to the credit of the Fund under
23 such procedures as the Comptroller General of the United
24 States may prescribe. Deposits made by an employee or

1 Member also shall be credited to the Fund.”; and

2 (2) by amending subsection (c) to read as follows:

3 “(c) Each employee or Member credited with civilian
4 service after July 31, 1920, for which retirement deduc-
5 tions or deposits have not been made, may deposit with
6 interest an amount equal to the following percentages of
7 his basic pay received for that service:

	“Percentage of basic pay	Service period
Employee---	21½-----	August 1, 1920, to June 30, 1926.
	31½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	61½-----	November 1, 1956, to December 31, 1969.
	7-----	After December 31, 1969.
Member or employee for Congressional employee service----	21½-----	August 1, 1920, to June 30, 1926.
	31½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	61½-----	November 1, 1956, to December 31, 1969.
	71½-----	After December 31, 1969.
Member for Member service----	21½-----	August 1, 1920, to June 30, 1926.
	31½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to August 1, 1946.
	6-----	August 2, 1946, to October 31, 1956.
	71½-----	After October 31, 1956.

8 Notwithstanding the foregoing provisions of this subsec-
9 tion, the deposit with respect to a period of service re-
10 ferred to in section 8332 (b) (6) of this title performed
11 before January 1, 1969, shall be an amount equal to 55
12 percent of a deposit computed in accordance with such
13 provisions.”.

1 (b) The amendment made by subsection (a) (1) of
2 this section shall become effective at the beginning of the
3 first applicable pay period beginning after December 31,
4 1969.

5 SEC. 103. (a) Section 8348 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as
8 follows:

9 “(a) There is a Civil Service Retirement and Disability
10 Fund. The Fund—

11 “(1) is appropriated for the payment of—

12 “(A) benefits as provided by this subchapter;
13 and

14 “(B) administrative expenses incurred by the
15 Civil Service Commission in placing in effect each
16 annuity adjustment granted under section 8340 of
17 this title; and

18 “(2) is made available, subject to such annual limi-
19 tation as the Congress may prescribe, for any expenses
20 incurred by the Commission in connection with the ad-
21 ministration of this chapter and other retirement and
22 annuity statutes.”; and

23 (2) by striking out subsections (f) and (g) and
24 inserting in lieu thereof:

1 “(f) Any statute which authorizes—

2 “(1) new or liberalized benefits payable from the
3 Fund, including annuity increases other than under sec-
4 tion 8340 of this title;

5 “(2) extension of the coverage of this subchapter
6 to new groups of employees; or

7 “(3) increases in pay on which benefits are com-
8 puted;

9 is deemed to authorize appropriations to the Fund to fi-
10 nance the unfunded liability created by that statute, in
11 equal annual installments over the 30-year period beginning
12 at the end of the fiscal year in which the statute is enacted,
13 with interest computed at the rate used in the then most re-
14 cent valuation of the Civil Service Retirement System and
15 with the first payment thereof due as of the end of the
16 fiscal year in which the statute is enacted.

17 “(g) At the end of each fiscal year, the Commission
18 shall notify the Secretary of the Treasury of the amount
19 equivalent to interest on the unfunded liability computed for
20 that year at the interest rate used in the then most recent
21 valuation of the System. Before closing the accounts for each
22 fiscal year, the Secretary shall credit to the Fund, as a Gov-
23 ernment contribution, out of any money in the Treasury of
24 the United States not otherwise appropriated, the following
25 percentages of the amounts equivalent to interest on the

1 unfunded liability: 10 percent for 1971; 20 percent for
2 1972; 30 percent for 1973; 40 percent for 1974; 50 percent
3 for 1975; 60 percent for 1976; 70 percent for 1977; 80
4 percent for 1978; 90 percent for 1979; and 100 percent for
5 1980 and for each fiscal year thereafter. The Commission
6 shall report to the President and to the Congress the sums
7 credited to the Fund under this subsection.”.

8 (b) (1) The provisions of subsection (g) of section
9 8348 of title 5, United States Code, as contained in the
10 amendment made by subsection (a) (2) of this section, shall
11 become effective at the beginning of the fiscal year which
12 ends on June 30, 1971.

13 (2) Paragraph (1) of this subsection shall not be held
14 or considered to continue in effect after the enactment of
15 this Act the provisions of section 8348 (g) of title 5, United
16 States Code, as in effect immediately prior to such enactment.

17 SEC. 104. Section 1308 (c) of title 5, United States
18 Code, is amended by striking out “on a normal cost plus
19 interest basis”.

20 SEC. 105. The proviso under the heading “CIVIL
21 SERVICE COMMISSION” and under the subheading
22 “PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABIL-
23 ITY FUND” in title I of the Independent Offices Appropria-
24 tion Act, 1962 (75 Stat. 345; Public Law 87-141), is
25 repealed.

1 TITLE II--CIVIL SERVICE RETIREMENT

2 BENEFITS

3 SEC. 201. Paragraph (4) (A) of section 8331 of title
4 5, United States Code, is amended by striking out “5 con-
5 secutive years” and inserting in lieu thereof “3 consecutive
6 years”.

7 SEC. 202. Subsection (g) of section 8334 of title 5,
8 United States Code, is amended—

9 (1) by striking out the word “or” at the end of
10 paragraph (3);

11 (2) by striking out the period at the end of
12 paragraph (4) and inserting in lieu thereof a semicolon
13 and the word “or”; and

(3) by adding the following new paragraph immediately below paragraph (4) :

“ (5) days of unused sick leave credited under sec-
tion 8339 (m) of this title.”.

18 SEC. 203. Section 8339 of title 5, United States Code,
19 is amended—

(1) by striking out of subsection (b) the words
“so much of his service as a Congressional employee and
his military service as does not exceed a total of 15
years” and inserting in lieu thereof “his service as a Con-
gressional employee, his military service not exceeding
5 years,”;

(2) by amending subsection (c) (2) to read as follows:

“(2) his congressional employee service;”; and

(3) by adding at the end thereof the following new subsection:

“(m) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit, except that these days will not be counted in determining average pay for annuity eligibility under this subchapter.”.

SEC. 204. Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting “1 percent plus” immediately after the word “by”.

SEC. 205. The provisions of subsections (b) (1), (d) (3), and (g) of section 8341 of title 5, United States Code, also shall apply in the case of any widow or widower—

(1) of an employee who died, retired, or was otherwise separated before July 18, 1966;

(2) who shall have remarried on or after such date; and

(3) who, immediately before such remarriage, was

1 receiving annuity from the Civil Service Retirement
2 and Disability Fund;

3 except that no annuity shall be paid by reason of this
4 section for any period prior to the enactment of this sec-
5 tion. No annuity shall be terminated solely by reason of
6 the enactment of this section.

7 SEC. 206. (a) The amendments made by sections 201,
8 202, and 203 of this Act shall not apply in the cases of per-
9 sons retired or otherwise separated prior to the date of enact-
10 ment of this Act, and the rights of such persons and their
11 survivors shall continue in the same manner and to the same
12 extent as if such sections had not been enacted.

13 (b) The amendments made by section 204 of this Act
14 to section 8340 of title 5, United States Code, shall apply
15 only to determinations of amounts of annuity increases which
16 are made under such section 8340 after the date of enact-
17 ment of this Act.

A BILL

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

By Mr. DANIELS of New Jersey, Mr. DULSKI, Mr. HENDERSON, Mr. OLSEN, Mr. UDALL, Mr. NIX, Mr. HANTLEY, Mr. CHARLES H. WILSON, Mr. WALDE, Mr. WHITE, Mr. WILLIAM D. FORD, Mr. HAMPTON, Mr. BRASCO, Mr. TIERNAN, Mr. PURCELL, Mr. CORBETT, Mr. CUNNINGHAM, Mr. JOHNSON of Pennsylvania, Mr. BUTTON, Mr. SCOTT, Mr. McCURE, Mr. MESKILL, Mr. LUKENS, Mr. HOGAN, and Mr. BUCHANAN

APRIL 2, 1969

Referred to the Committee on Post Office and Civil Service

INDEX of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued April 18, 1969
For actions of April 17, 1969
91st-1st; No. 61

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		Wildlife.....2

HIGHLIGHTS: Rep. Michel asked cut in research and development programs.
House committee voted to report bill to amend Civil Service Retirement Act.
Rep. Bingham and others introduced and discussed bill to terminate sugar quota
for Union of So. Africa.

HOUSE

1. PERSONNEL. The Post Office and Civil Service Committee voted to report (but did not actually report) H. R. 9825, to amend the Civil Service Retirement Act, to improve the financing and funding practices of the system, and the benefits structure relative to computation of retirement annuities, crediting of unused sick leave, etc. p. D280
2. POLLUTION. Rep. Feighan inserted a survey which he stated indicates an upswing in public attitudes toward pollution of all kinds, wildlife preservation, pesticides, etc. pp. H2760-1

Rep. Coughlin spoke in support of the proposed Water Quality Improvement Act. p. H2764

3. TAXATION. Rep. Scott stated he will vote "to eliminate the surtax and to eliminate the need for it by reducing expenditures." p. H2765
4. BUDGET. Rep. Michel stated in seeking places to economize the research and development programs should not be overlooked. He inserted a compilation of research and related programs including several in this Department. pp. H2767-86
5. LEGISLATIVE PROGRAM. Rep. Albert announced the following program for next week: Mon., Consent Calendar day and under suspension the bill to extend for 1 year the National Council on Marine Resources and Engineering Development. Also beginning on Mon. and continuing until completed will be the consideration of the proposed Elementary and Secondary Education Amendments. p. H2767
6. ADJOURNED until Mon., Apr. 21. p. H2767

EXTENSION OF REMARKS

7. LUMBER SUPPLY. Rep. Dellenback inserted an analysis of the problem of the lumber industry in the Pacific Northwest. pp. E3059-61
8. TEXTILES. Rep. Galifianakis inserted a study, "The Spun Yarn Import Story, February 1969." pp. E3062-3
9. OPINION POLL. Rep. Chamberlain inserted the results of a questionnaire including items of interest to this Department. p. E3065
10. WATER POLLUTION. Rep. Hanley commended House passage of the proposed Water Quality Improvement Act. p. E3072
11. FARM PROGRAM. Rep. Schwengel commended and inserted a speech by a member of the Iowa Farm Bureau on farming and farm problems. pp. E3078-9
12. CONGRESSIONAL REFORM. Rep. Cleveland inserted a "provocative article on the continuing failure of the House of Representatives to take action on the proposed Legislative Reorganization Act." pp. E3085-6
13. RULES COMMITTEE. Rep. Bolling inserted a "short history of the development of the Committee on Rules of the U. S. House of Representatives." pp. E3089-92
14. HUNGER. Rep. Mikva inserted a series of articles on hunger in Chicago. pp. E3093-8

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
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POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
FOR INFORMATION ONLY;
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Issued Apr. 24, 1969
For actions of Apr. 23, 1969
91st-1st No. 65

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HIGHLIGHTS: Rep. Landgrebe introduced and discussed meat inspection bill. Rep. Podell introduced and discussed bill to establish National Commission on Pesticides.

1. EDUCATION. Passed, 400-17, with amendments, H.R. 514, the proposed Elementary and Secondary Education Amendments of 1969. As passed the bill would extend for 2 years the programs of assistance for elementary and secondary education including assistance for migratory children, impacted areas programs and assistance for schools in disaster areas and children living in public housing (pp. H2958-3004). A motion by Rep. Ashbrook to recommit the bill was rejected (pp. H3063-4).
2. PERSONNEL. The Post Office and Civil Service Committee reported without amendment H. R. 9825, to amend the Civil Service Retirement Act, to improve the financing and funding practices of the system, and the benefits structure relative to computation of retirement annuities, crediting of unused sick leave, etc. (H. Rept. 91-158). p. H3046.
3. TARIFF. The Ways and Means Committee reported with amendment H. R. 2718, to extend for an additional temporary period the existing suspension of duties on certain classifications of yarn of silk (H. Rept. 91-159). p. H3046.
The Ways and Means Committee reported with amendment H. R. 10015, to extend until July 15, 1971, the suspension of duty on electrodes for use in producing aluminum (H. Rept. 91-161). p. H3046.
The Ways and Means Committee reported without amendment H. R. 10107, to continue for a temporary period the existing suspension of duty on certain istle (H. Rept. 91-162). p. H3046.
4. NASA AUTHORIZATION. The Daily Digest states the Science and Astronautics Committee "met in executive session and accepted subcommittee reports on H. R. 10251, NASA authorization for fiscal year 1970. The committee will meet on April 29 to read the bill for amendments." p. D302.
5. CENSUS. Rep. Mize commended the Commerce Department's contemplated altering of fact-gathering procedures for the 1970 census of population and housing. p. H2948.
6. TRANSPORTATION. Rep. Beall inserted Sen. Mathias' speech outlining the need for a coherent national transportation policy. pp. H3005-6.
7. TAXATION. Rep. Hall inserted a telegram to the President from Armco Steel Corp. which takes issue with the administration regarding the repeal of the 7 percent investment tax credit. pp. H3024-5.
8. LOANS; SMALL BUSINESS. Received from GAO a report on the need for improved administration and increased effectiveness in economic opportunity loan program, Small Business Administration. p. H3046.

EXTENSION OF REMARKS

9. JOB CORPS. Rep. Burlison criticized the proposed closing of a Job Corps center in his district and inserted his testimony before the Education and Labor Committee. p. E3263.

Rep. Brock defended the President's "overhauling" the Job Corps. p. E3281.

CIVIL SERVICE RETIREMENT FINANCING AND BENEFITS

APRIL 23, 1969.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DANIELS of New Jersey, from the Committee on Post Office and Civil Service, submitted the following

REPORT

together with

SUPPLEMENTAL VIEWS

[To accompany H.R. 9825]

The Committee on Post Office and Civil Service, to whom was referred the the bill (H.R. 9825) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE OF H.R. 9825

The major purpose of the legislation is to improve the financing and funding practices of the civil service retirement system, so as to maintain confidence in the soundness of the retirement fund and to assure that the necessary money is available when needed to pay the annuities of Government's retirees and survivor annuitants in full and on time.

It is also the purpose of this legislation to provide certain limited, but needed, improvements in the benefits structure of the system within the limits of the new financing approach.

BACKGROUND

During the past 1½ years the Subcommittee on Retirement, Insurance, and Health Benefits of the Committee on Post Office and Civil Service has devoted its full time and attention, in extensive public hearings, executive sessions, and conferences with

the official representatives of agencies of the executive and legislative branches, to a searching review of the financial condition of the civil service retirement system—a program which is a vital part of the Federal employment system, and one of paramount importance to the Government's millions of retired, active, and future employees and their families.

The subcommittee's aim was to attempt to recognize the problems resulting from past and present funding practices, to resolve any doubts of the system's financial integrity, and to develop a definite plan of action to insure its ability to fulfill its obligations. The results of the indepth study most assuredly attest to the fact that any doubt which exists as to the system's ability to meet future commitments is attributable to funding practices that have been grossly inadequate since the program's very inception in 1920.

Federal employees have always contributed the full amount set by law, but, while the Government has contributed substantial sums to the trust funds, it has failed to appropriate regularly and systematically, on a concurrent basis, sufficient funds to meet the ultimate costs not covered by employees' contributions. In past years several methods for determining appropriations to meet the Government's obligation to the system have been considered, and some were adopted. However, attitudes of various administrations, Congresses, and committees have changed from time to time, but facing the problem realistically has been long delayed.

In the 90th Congress the committee directed its energies to the problem by reporting to the House the bill H.R. 17682, the financing features of which were the product of a common effort based, in part, on the recommendations of the former Chairman of the U.S. Civil Service Commission, as contained in his letter of June 8, 1967, and embodied in H.R. 10912; the Comptroller General of the United States, as contained in his report (B-130150) to the Congress of April 24, 1967; and the joint proposal of those officials, as set forth by the former Chairman of the Civil Service Commission in his letter of March 22, 1968.

These letters of transmittal are appended under the heading "Agency Reports."

While H.R. 17682 was passed by the House without a dissenting vote on October 1, 1968, no action was taken on the measure by the Senate.

STATEMENT

EXECUTIVE AND LEGISLATIVE RECOMMENDATIONS

Retirement system financing has been a problem of continuing concern to the Congress, to its respective committees, and to officials of the executive branch. The history of actuarial reports has indicated successively for a long time past an increasingly pessimistic view with respect to actuarial costs and liabilities under the escalating benefits and other liberalizations in the specifics of the civil service retirement program. The financing provisions of H.R. 9825 are based, for the most part, upon the recommendations of the U.S. Civil Service Commission, as set forth in the present Chairman's letter of March 18, 1969 on H.R. 770, and in the Bureau of the Budget's letter of March 19 1969, which also appear under the heading "Agency Reports."

PAST RETIREMENT SYSTEM POLICIES AND PRACTICES

Since its enactment in 1920, the Civil Service Retirement Act has made provision for mandatory employee retirement system contributions to be held in trust in the civil service retirement and disability fund. Expressed as a percentage of salary withheld, employee contributions have increased, by amendment to the act, from the original 2½ percent to the current 6½ percent that became effective in 1956. During the entire history of the civil service retirement system, employee contributions have approximated one-half the normal cost.

In contrast to the specific requirements covering employee contributions, the act, prior to 1958, contained a statement to the effect that the Government's share would be financed by the submission of appropriation estimates necessary to finance the system "* * * and to continue this act in full force and effect." As a result, a number of methods for determining appropriations to cover the Government's share of costs have been used during this period of nearly 48 years. In the first 8 years, appropriations were neither recommended nor enacted, and benefit disbursements were financed by employee contributions to the fund. From 1929 to the World War II period, appropriations were generally recommended on a basis sufficient to cover normal cost and to amortize the unfunded liability by the end of the century. From 1929 through 1949, enacted appropriations coincided with Presidential recommendations.

In the 8-year period 1950-57, appropriations based on several different methods were recommended by the President. The Congress enacted lower appropriations on five occasions, higher amounts twice, and on one occasion approved the amount proposed. The budget recommendation for the fiscal year 1953 was based on normal cost plus amortization over a 30-year period and was reduced somewhat by the Congress. Recommendations for appropriations to cover normal cost plus interest for each of the years 1950, 1951, 1952, and 1954 were reduced by the Congress. A recommendation for 1955 to cover only the additional cost of annuities increased by a then-recent enactment was approved by the Congress. On the other hand, requested appropriations for 1956 and 1957, computed on the basis of the Government's share of costs for current disbursements less the interest on its equity in the fund, were increased.

The present method of financing was recommended by the Civil Service Commission and enacted by the Congress in the Civil Service Retirement Act Amendments of 1956 (Public Law 84-854), effective at the beginning of fiscal year 1958. Under it, each employing agency contributes to the fund, from its appropriations for payment of salaries, amounts equal to deductions from the salaries of its covered employees at the rate of 6½ percent, and the rate is 7½ percent for Members of Congress. Adoption of the agency contribution provision achieved the desirable objective of assuring annual income approximating normal cost.

However, agency matching contributions are not sufficient to meet fully the Government portion of retirement cost, because no significant provision is now being made toward the unfunded liability or even toward the interest on it. In recognition of this fact, the Congress provided in section 17(e) of the 1956 amendments (now sec. 8348[f] of title 5, U.S.C.), that the Commission submit estimates of the appro-

priations necessary to finance the fund on a normal cost-plus-interest basis. The Congress did not, however, require automatic appropriation of amounts so estimated, leaving final determination of amounts to be recommended for this purpose to the discretion of the President. Accordingly, the Commission's estimates have been forwarded to the Bureau of the Budget for consideration as part of the normal process of formulating the executive budget. The President's final determination has been made only after consideration of the financial status of the system, including its unfunded liability, in the light of the general fiscal situation of the Government. This procedure is in keeping with the tradition of executive development of the budget.

The President did not request an appropriation to the retirement fund in his budgets for the fiscal years 1959 and 1960, beyond the amounts to be appropriated to the various agencies. For the fiscal year 1959, Congress voted an appropriation to the fund of \$589 million more than the agencies' contributions included in the President's budget. This amount plus employee and agency contributions equaled full normal cost plus interest. The President vetoed this bill, and Congress accepted his view.

For the fiscal years 1961 and 1962, appropriations were made to the fund for the specific purpose of continuing in effect certain annuity increases and new survivor benefits provided by Public Law 85-465; for the fiscal year 1963 and each fiscal year thereafter, appropriations have been requested and made to cover the benefits provided by Public Law 87-793. Otherwise, no appropriations beyond the matching agency contributions have been made.

The establishment of the civil service retirement fund suggested the intention that primary dependence for meeting benefit obligations would rest on contributions and investment income rather than on "the full faith and credit of the United States." However, it is now generally accepted that Federal staff retirement systems, backed by the credit of the United States, need not accumulate reserves on the basis required of private pension plans. Reflecting the interaction of political, socioeconomic, and fiscal considerations, national policy, rather than concepts of actuarial practice, has played the controlling role in final funding decisions. Therefore, the extent to which reserves are accumulated under a Federal retirement system, and its actuarial soundness, cannot be appraised on the same basis as in private plans.

The historical pattern of employee-employer contribution to the retirement fund supports the conclusion that deficiencies; that is, accrued liabilities for which contributions to the fund have not been made (unfunded liability), are the responsibility of the Government as employer. The major causes of such deficiencies have been—

- (1) creditable service for which neither the employee nor the employer contributed,
- (2) general wage increases which result in benefits based on a higher pattern of salaries than that upon which at least a portion of contributions is based,
- (3) liberalizations applying to benefits based on past and/or future service without a commensurate increase in contributions, and
- (4) loss of compounded interest income which would have been earned if the accrued liability had been fully funded.

Prompted in part by the recommendations of the Kaplan committee¹ and in part by a recognized need for a more orderly system of Government contributions, legislation was enacted in 1956 which increased employee contributions to 6½ percent of salary and required each agency to transfer an equal amount from its appropriations to the retirement fund. The combined contribution rate of 13 percent was estimated to be slightly less than the normal cost at that time. Although, as indicated, the unfunded liability has continued to increase, the current Government contribution of 6½ percent of payroll has nevertheless resulted in a considerably larger payment to the fund than did the direct appropriations of prior years. In addition, under normal-cost financing there is now a more accurate reflection of personnel service costs in the annual administrative budget.

In the meantime, the philosophical underpinning of retirement benefits in the private sector of the economy has evolved from a gratuity for "long and faithful service" to what employees have come to consider an earned right. Under the civil service retirement system, the establishment of a trust fund in the tradition of private insurance and/or pension plans (but with an investment portfolio limited to the national debt) coupled with mandatory employee contributions has further bolstered the concept of an earned right to benefits and an employee equity in the fund.

None of the several methods of financing proposed from 1920 through 1957 provided for an automatic reflection of the Government's share of retirement costs in annual appropriations. Because employee contributions annually exceeded benefit payments, the expansion of Federal employment during the 1930's and 1940's further obscured the potential impact of an ever-increasing unfunded liability. However, the stabilization of employment during the early fifties, combined with sporadic and inadequate employer contributions, made it apparent that as the system matured, annual trust fund revenues would soon be less than benefit payments.

For the reasons listed above, the deficiency of the fund rose from an estimated \$20.4 billion in 1953 to \$27.5 billion in 1958, and, after 5 years of funding normal costs only (approximate), to \$37.7 billion by the end of fiscal year 1963. On June 30, 1965, the deficiency was about \$40 billion and, because of recently enacted pay and annuity increases, it is now expected to reach a level of \$57.7 billion by the end of the fiscal year 1969.

The following table shows the progress of the fund from its inception in 1920 through fiscal year 1968:

¹ The Committee on Retirement Policy for Federal Personnel, created by Public Law 82-555. (See S. Doc. 89, 83d Cong.)

CIVIL SERVICE RETIREMENT AND DISABILITY FUND—OPERATING RECEIPTS AND DISBURSEMENTS AND BALANCE IN THE FUND FOR THE FISCAL YEARS 1921 TO 1968

[Cents omitted; therefore details may not add to totals]

Fiscal year ended June 30	Receipts			Disbursements				Transfers from (+) to (-) other retirement systems	balance in fund June 30
	Salary deductions, voluntary contributions, and service credit payments	Government appropriations and/or agency contributions	Interest and profit on investments	Total receipts	Payments to retired employees	Payments to survivor annuitants	Payments of refunds and death claims	Administrative expense	Total disbursements
1921-28	\$142,729,500	---	\$13,211,143	\$155,940,643	\$51,032,215	---	\$21,923,168	---	\$72,955,384
1929-35	208,291,396	---	57,360,736	411,102,133	185,158,325	---	35,731,558	---	220,889,883
1936-40	186,851,456	321,843,280	82,147,062	590,841,798	272,080,148	---	37,366,674	---	309,446,822
1941-45	926,000,895	671,241,799	214,024,652	1,811,267,346	351,846,148	---	136,235,709	---	488,081,858
1946-50	1,451,079,693	1,243,583,880	551,909,068	3,246,572,642	615,912,850	---	679,574,736	---	1,303,875,451
1951	374,872,990	307,117,435	164,561,022	846,551,467	185,421,904	\$8,387,864	72,534,135	---	268,853,707
1952	414,782,450	312,776,021	188,130,280	915,688,752	203,625,518	16,079,596	78,879,612	---	298,584,727
1953	420,034,454	325,304,154	214,609,442	959,943,051	246,711,418	23,472,466	91,023,429	---	361,207,314
1954	425,000,000	35,303,239	225,654,018	685,957,288	281,560,565	29,445,478	98,118,629	---	409,124,673
1955	440,284,878	33,678,729	234,377,235	708,340,843	310,280,639	34,858,748	82,655,739	---	427,795,126
1956	570,616,475	237,232,793	211,829,113	1,019,898,383	366,320,273	44,034,630	94,082,162	---	504,437,066
1957	640,522,470	530,632,662	220,793,978	1,391,949,112	425,645,499	53,021,114	109,522,080	---	588,188,694
1958	675,098,086	583,942,744	194,052,071	1,453,092,902	507,606,149	62,491,630	126,511,408	---	696,609,189
1959	761,722,957	754,129,236	219,749,314	1,735,601,507	601,050,915	84,501,208	106,063,345	---	791,615,469
1960	760,195,742	749,498,975	251,124,061	1,760,818,780	668,435,682	98,595,756	125,923,047	---	892,954,486
1961	856,640,591	890,192,793	281,633,944	2,027,467,328	736,741,184	111,198,621	115,071,522	---	963,011,328
1962	863,512,529	895,852,163	322,888,251	2,082,296,944	813,290,084	123,574,453	124,125,796	---	1,060,990,335
1963	933,943,173	950,856,817	362,290,266	2,247,086,257	914,105,941	141,051,575	120,610,355	---	1,175,767,871
1964	994,477,989	1,041,941,019	419,853,966	2,456,272,975	1,032,238,017	163,473,563	123,930,849	---	1,319,642,431
1965	1,066,846,060	1,115,356,476	482,170,944	2,664,373,481	1,126,017,513	181,532,265	130,119,909	---	1,437,669,688
1966	1,112,559,914	1,164,453,174	546,357,597	2,823,370,686	1,322,108,789	209,244,443	157,136,201	\$42,821	1,688,532,235
1967	1,205,539,542	1,263,531,809	625,164,699	3,094,236,050	1,532,400,607	256,139,488	176,211,361	4,581,943	1,969,436,194
1968	1,335,704,199	1,389,281,093	799,455,331	3,434,440,624	1,665,296,697	291,331,382	176,960,791	4,101,467	2,137,690,328
Total	16,766,507,478	14,963,260,321	6,793,348,204	38,523,116,004	14,414,989,884	1,943,331,956	3,020,312,216	8,726,231	19,387,360,289
									+21,754,187

¹ This balance is not a surplus. It is estimated that, as of June 30, 1968, the unfunded liability of the civil service retirement system was \$52,608,000,000. This figure does not include any amount for benefits provided by pt. III of Public Law 87-793; if such benefits were considered, the figure given would be increased by \$2,283,000,000. The foregoing figures do not include the increase in unfunded

liability resulting from general pay increases effective in July 1968. The estimated normal cost of the system is 13.60 percent of payroll exclusive of pt. III of Public Law 87-793 which, if considered, would increase this figure by 0.26 percent of payroll.

CURRENT AND PROJECTED COST OF PRESENT SYSTEM

Upon full implementation, in July 1969, of the latest salary statute, the deficiency is expected to exceed \$61 billion. It is further estimated that under present funding practices the assets of the fund—currently \$20½ billion—will increase to \$23 billion within the next 6 years, while the deficiency will simultaneously approach \$80 billion.

However, in 1975 the disbursements will then begin to exceed the annual income of \$3.8 billion. Disbursements thereafter will continue to escalate appreciably over a relatively static income, and result in a declining fund balance. Consequently, to meet benefit payments, all disbursements in excess of current income will have to be met from the fund balance. Without additional funding, that balance will be totally exhausted by 1987. Immediately thereafter, disbursements will exceed income by \$3½ billion, and will require direct appropriations to meet benefit payments. During ensuing years progressively higher amounts would be required until, at the turn of the century, the necessary direct appropriations would approach \$5 billion. It is emphasized that these substantial sums will be in addition to the approximate \$3 billion income received by the trust fund from then-active employee and agency contributions.

The following, table A, shows the estimated progress of the retirement fund under present financing practices:

TABLE A.—CIVIL SERVICE RETIREMENT SYSTEM—ESTIMATED PROGRESS OF THE FUND, WITH GOVERNMENT PAYMENTS MATCHING EMPLOYEE DEDUCTIONS AT 6½ PERCENT, PLUS DIRECT APPROPRIATIONS WHEN NEEDED TO MEET BENEFIT PAYMENTS

[In millions]

Fiscal year	Employee deductions and deposits		Government payments		Direct appropriations	Interest at 3½ percent	Total receipts	Disbursements	Balance in fund at end of year	Unfunded liability at end of year
	Amount	As percent of payroll	Amount	As percent of payroll						
1969	\$1,543	6½	\$1,528	6½					\$20,616	\$65,540
1970	1,543	6½	1,528	6½		\$724	\$3,795	\$2,933	21,478	68,192
1971	1,543	6½	1,528	6½		750	3,821	3,150	22,149	70,937
1972	1,543	6½	1,528	6½		770	3,841	3,371	22,619	73,778
1973	1,543	6½	1,528	6½		783	3,854	3,591	22,882	76,718
1974	1,543	6½	1,528	6½		788	3,859	3,817	22,924	79,761
1975	1,543	6½	1,528	6½		785	3,856	4,043	22,737	82,911
1976	1,543	6½	1,528	6½		774	3,845	4,299	22,283	86,171
1977	1,543	6½	1,528	6½		754	3,825	4,548	21,560	89,545
1978	1,543	6½	1,528	6½		725	3,796	4,788	20,568	93,037
1979	1,543	6½	1,528	6½		686	3,757	5,023	19,302	96,651
1980	1,543	6½	1,528	6½		637	3,708	5,250	17,760	100,392
1981	1,543	6½	1,528	6½		579	3,650	5,485	15,925	104,264
1982	1,543	6½	1,528	6½		511	3,582	5,707	13,800	108,271
1983	1,543	6½	1,528	6½		433	3,504	5,915	11,389	112,418
1984	1,543	6½	1,528	6½		345	3,416	6,108	8,697	116,711
1985	1,543	6½	1,528	6½		248	3,319	6,287	5,729	121,154
1986	1,543	6½	1,528	6½		142	3,213	6,438	2,504	125,752
1987	1,543	6½	1,528	6½	\$1,006		4,077	6,581		129,546
1988	1,543	6½	1,528	6½	3,647		6,718	6,718		130,727
1989	1,543	6½	1,528	6½	3,776		6,847	6,847		131,818
1990	1,543	6½	1,528	6½	3,899		6,970	6,970		132,822
1991	1,543	6½	1,528	6½	3,999		7,070	7,070		133,760
1992	1,543	6½	1,528	6½	4,101		7,172	7,172		134,627
1993	1,543	6½	1,528	6½	4,202		7,273	7,273		135,421
1994	1,543	6½	1,528	6½	4,304		7,375	7,375		136,139
1995	1,543	6½	1,528	6½	4,407		7,478	7,478		136,778
1996	1,543	6½	1,528	6½	4,543		7,614	7,614		137,301
1997	1,543	6½	1,528	6½	4,662		7,733	7,733		137,721
1998	1,543	6½	1,528	6½	4,768		7,839	7,839		138,048
1999	1,543	6½	1,528	6½	4,855		7,926	7,926		138,258
2000	1,543	6½	1,528	6½	4,928		7,999	7,999		138,482
2001	1,543	6½	1,528	6½	4,958		8,029	8,029		138,642

TABLE A.—CIVIL SERVICE RETIREMENT SYSTEM—ESTIMATED PROGRESS OF THE FUND, WITH GOVERNMENT PAYMENTS MATCHING EMPLOYEE DEDUCTIONS AT 6½ PERCENT, PLUS DIRECT APPROPRIATIONS WHEN NEEDED TO MEET BENEFIT PAYMENTS—Continued

[In millions]

Fiscal year	Employee deductions and deposits		Government payments				Total receipts	Disbursements	Balance in fund at end of year	Unfunded liability at end of year
	Amount	As per cent of payroll	Agency contributions		Direct appropriations	Interest at 3½ percent				
			Amount	As per cent of payroll						
2002-----	\$1,543	6½	\$1,528	6½	\$4,985	-----	\$8,056	\$8,056	-----	\$138,780
2003-----	1,543	6½	1,528	6½	5,011	-----	8,082	8,082	-----	138,897
2004-----	1,543	6½	1,528	6½	5,032	-----	8,103	8,103	-----	138,996
2005-----	1,543	6½	1,528	6½	5,051	-----	8,122	8,122	-----	139,079
2006-----	1,543	6½	1,528	6½	5,062	-----	8,133	8,133	-----	139,154
2007-----	1,543	6½	1,528	6½	5,073	-----	8,144	8,144	-----	139,221
2008-----	1,543	6½	1,528	6½	5,083	-----	8,154	8,154	-----	139,280
2009-----	1,543	6½	1,528	6½	5,094	-----	8,165	8,165	-----	139,330
2010-----	1,543	6½	1,528	6½	5,104	-----	8,175	8,175	-----	139,731
2011-----	1,543	6½	1,528	6½	5,118	-----	8,189	8,189	-----	139,399
2012-----	1,543	6½	1,528	6½	5,129	-----	8,200	8,200	-----	139,417
2013-----	1,543	6½	1,528	6½	5,139	-----	8,210	8,210	-----	139,426
2014-----	1,543	6½	1,528	6½	5,144	-----	8,215	8,215	-----	139,430
2015 and after-----	1,543	6½	1,528	6½	5,148	-----	8,219	8,219	-----	139,430

NOTE

¹ Includes increases in unfunded liability assumed to occur July 1, 1969.

² This amount is equal to interest on the then-existing unfunded liability, plus the annual deficiency in normal cost of 1½ percent of payroll.

Assumptions:

- (1) Liberalizations effective July 1, 1969, increase normal cost by ½ percent and create unfunded liability of \$2 billion.
- (2) Pay increases, effective July 1969, create additional unfunded liability of \$3.4 billion.
- (3) Requirement for annual appropriations to meet requirements of Public Law 87-793 is repealed.

CONCLUSIONS

The preceding table illustrates the magnitude of the problem with which the Congress is faced, and which it is imperative the Congress take prompt and positive action to solve.

The significance of expected continual deficiency increases is that the fund will ultimately be depleted unless action is taken to forestall this contingency. Thereafter, direct appropriations would be required each year, in addition to employee and employing agency contributions, in order to meet benefit payments as they fall due. Unless steps are taken to eliminate, or at least halt the growth of, the unfunded liability, the fund balances will be drawn down and substantial direct appropriations will be required to meet future obligations.

COMMITTEE'S FINANCIAL PROPOSAL

Through the common efforts of the Civil Service Commission, the Bureau of the Budget, the General Accounting Office, and the members of the subcommittee and its parent committee, a modified plan of action was developed which achieves most, if not all, of the objectives sought. Title I of the bill incorporates into the retirement law certain definitive terms essential to the implementation of its subsequent provisions. It contains a three-pronged approach to improved financing, and contemplates a system which will be adequately funded, in lieu of a system which, eventually, would become totally unfunded.

NORMAL COST

Normal cost is that level percentage of annual pay which, invested at interest, is required to cover the cost of benefits earned each year, starting for each employee at the time he is appointed.

Normal cost financing through equal employee-agency contributions is retained with respect to existing benefit structure. The normal cost of present benefits is equivalent to 13.86 percent of payroll, and those proposed in title II of this legislation equal an additional 0.13 percent, a total of 13.99 percent of current payroll. The current normal cost of 13.86 percent is attributable to the numerous liberalizing amendments and salary increases enacted since 1956, for which Congress has failed to proportionately increase contributions, thus resulting in underfinancing by slightly less than 1 percent of payroll.

Because of the inadequacy of current contributions, implementation of normal cost financing of the existing benefit structure requires an immediate 1-percent increase in the combined contribution rate from 13 to 14 percent of payroll (7 percent each for employees and agencies), effective in January 1970. The current congressional employee rate of 6½ percent and matching contribution rate are increased proportionately to 7½ percent, respectively.

FUTURE UNFUNDED LIABILITIES

Unfunded liability is the amounts estimated to be needed to fully finance all benefits due employees and former employees, less money to the credit of the fund and that to be placed in the fund in the future.

The cost of future incremental unfunded liabilities that will result from benefit liberalizations and general salary increases for the active work force, extension of coverage to new groups of employees, and newly authorized annuity increases, are to be fully financed by the Government through direct appropriations to the fund, in equal annual installments, over 30-year periods. The Government would assume full responsibility for additional deficiencies thus created and, by amortization, preclude further increases in the existing unfunded liability.

This aspect of the legislation would automatically neutralize the depressing effect on fund balances that would result from future creation of incremental unfunded liabilities, as distinct from growth of the existing unfunded liability which will continue to occur because of loss of interest that would have otherwise been earned. The resulting annual appropriations request submitted to the Congress under this authority would be sufficient to cover all scheduled amounts due for a particular fiscal year. Adherence to this amortization principle will also result in the relatively accurate disclosure of currently accruing retirement costs. For example, an annual payment of \$52,500 would be necessary to amortize over 30 years, at 3½-percent interest, any liberalization which would otherwise add \$1 million to the unfunded liability.

PRESENT UNFUNDED LIABILITY

While the system's existing unfunded liability, which will have grown from \$32 billion in 1961 to \$61 billion in 1969, has been affected by numerous liberalizations of benefits, recurring general salary increases, and several automatic cost-of-living adjustments to annui-

tants, its major growth is attributable to the loss of interest on the unfunded liability currently approximating \$2 billion each year.

The bill provides for direct appropriations, under permanent indefinite authority, to be made to meet the Government's obligation for the presently increasing unfunded liability which arises from legislation already enacted, including that created in title II of this legislation, in amounts equivalent to interest on the future accrued deficiencies. This responsibility will be fulfilled beginning on a modest scale at the end of fiscal year 1971. The Secretary of the Treasury will transfer to the fund, from moneys not otherwise appropriated, the following percentages of amounts determined by the Civil Service Commission to be equivalent to interest on the then-existing unfunded accrued liability: 10 percent for 1971; 20 percent for 1972; and an additional 10 percent for each successive fiscal year until, for fiscal year 1980 and thereafter, the amount transferred will be the full equivalent of interest thereon.

Ten percent of the interest (currently evaluated at the yielding rate of $3\frac{1}{2}$ percent) on an unfunded liability of \$65 billion will require a transfer of \$230 million. A conceivable unfunded liability of \$77 billion in 1980 would then become stabilized, and the full amount of interest thereon will approximate \$2.7 billion.

The following, table B, illustrates the estimated progress of the fund by the adoption of the preceding funding practices:

TABLE B.—CIVIL SERVICE RETIREMENT SYSTEM

ESTIMATED PROGRESS OF THE FUND, WITH GOVERNMENT PAYMENTS TO COVER (A) 50 PERCENT OF NORMAL COST; (B) 30-YEAR LEVEL AMORTIZATION OF NEWLY CREATED UNFUNDED LIABILITY; (C) INTEREST ON THE UNFUNDED LIABILITY, COMMENCING AT 10 PERCENT OF SUCH INTEREST IN FISCAL YEAR 1971, 20 PERCENT IN FISCAL YEAR 1972, AND INCREASING BY 10 PERCENT EACH YEAR TO 100 PERCENT IN FISCAL YEAR 1980 AND THEREAFTER

[In millions]

Fiscal year	Employee deductions and deposits		Government payments				Interest on unfunded liability at 3½ percent	Total receipts	Disbursements	Balance in fund at end of year	Unfunded liability at end of year
			Agency contributions		30-year level amortization	Interest on unfunded liability					
	Amount	As percent of pay-roll	Amount	As percent of pay-roll							
1969										\$20,616	\$63,540
1970	\$1,719	7¼	\$1,704	7¼	\$105		\$734	\$4,262	\$2,933	21,945	65,764
1971	1,719	7¼	1,704	7¼	105	\$230	777	4,535	3,150	23,330	67,836
1972	1,719	7¼	1,704	7¼	105	475	821	4,824	3,371	24,783	69,735
1973	1,719	7¼	1,704	7¼	105	732	868	5,128	3,591	26,320	71,444
1974	1,719	7¼	1,704	7¼	105	1,000	918	5,446	3,817	27,949	72,945
1975	1,719	7¼	1,704	7¼	105	1,277	971	5,776	4,043	29,682	74,221
1976	1,719	7¼	1,704	7¼	105	1,559	1,027	6,114	4,299	31,497	75,260
1977	1,719	7¼	1,704	7¼	105	1,844	1,086	6,458	4,548	33,407	76,050
1978	1,719	7¼	1,704	7¼	105	2,129	1,149	6,806	4,788	35,425	76,583
1979	1,719	7¼	1,704	7¼	105	2,412	1,216	7,156	5,023	37,558	76,851
1980	1,719	7¼	1,704	7¼	105	2,690	1,286	7,504	5,250	39,812	76,851
1981	1,719	7¼	1,704	7¼	105	2,690	1,361	7,579	5,485	41,906	76,851
1982	1,719	7¼	1,704	7¼	105	2,690	1,430	7,648	5,707	43,847	76,851
1983	1,719	7¼	1,704	7¼	105	2,690	1,495	7,713	5,915	45,645	76,851
1984	1,719	7¼	1,704	7¼	105	2,690	1,554	7,772	6,108	47,309	76,851
1985	1,719	7¼	1,704	7¼	105	2,690	1,609	7,827	6,287	48,849	76,851
1986	1,719	7¼	1,704	7¼	105	2,690	1,661	7,879	6,438	50,290	76,851
1987	1,719	7¼	1,704	7¼	105	2,690	1,709	7,927	6,581	51,636	76,851
1988	1,719	7¼	1,704	7¼	105	2,690	1,753	7,971	6,718	52,889	76,851
1989	1,719	7¼	1,704	7¼	105	2,690	1,795	8,013	6,847	54,055	76,851
1990	1,719	7¼	1,704	7¼	105	2,690	1,834	8,052	6,970	55,137	76,851
1991	1,719	7¼	1,704	7¼	105	2,690	1,870	8,088	7,070	56,155	76,851
1992	1,719	7¼	1,704	7¼	105	2,690	1,903	8,121	7,172	57,104	76,851
1993	1,719	7¼	1,704	7¼	105	2,690	1,935	8,153	7,273	57,984	76,851
1994	1,719	7¼	1,704	7¼	105	2,690	1,964	8,182	7,375	58,791	76,851
1995	1,719	7¼	1,704	7¼	105	2,690	1,990	8,208	7,478	59,521	76,851

TABLE B.—CIVIL SERVICE RETIREMENT SYSTEM—Continued

ESTIMATED PROGRESS OF THE FUND, WITH GOVERNMENT PAYMENTS TO COVER (A) 50 PERCENT OF NORMAL COST; (B) 30-YEAR LEVEL AMORTIZATION OF NEWLY CREATED UNFUNDED LIABILITY; (C) INTEREST ON THE UNFUNDED LIABILITY, COMMENCING AT 10 PERCENT OF SUCH INTEREST IN FISCAL YEAR 1971, 20 PERCENT IN FISCAL YEAR 1972, AND INCREASING BY 10 PERCENT EACH YEAR TO 100 PERCENT IN FISCAL YEAR 1980 AND THEREAFTER—Continued

[In millions]

Fiscal year	Employee deductions and deposits		Government payments					Total receipts	Disbursements	Balance in fund at end of year	Unfunded liability at end of year
	Amount	As percent of pay-roll	Agency contributions		30-year level amortization	Interest on unfunded liability	Interest at 3½ percent				
			Amount	As percent of pay-roll							
1996-----	\$1,719	7¼	\$1,704	7¼	\$105	\$2,690	\$2,014	\$8,232	\$7,614	\$60,139	\$76,851
1997-----	1,719	7¼	1,704	7¼	105	2,690	2,033	8,251	7,733	60,657	76,851
1998-----	1,719	7¼	1,704	7¼	105	2,690	2,049	8,267	7,839	61,085	76,851
1999-----	1,719	7¼	1,704	7¼	105	2,690	2,063	8,281	7,926	61,440	76,851
2000-----	1,719	7¼	1,704	7¼	-----	2,690	2,070	8,183	7,999	61,624	76,851
2001-----	1,719	7¼	1,704	7¼	-----	2,690	2,076	8,189	8,029	61,784	76,851
2002-----	1,719	7¼	1,704	7¼	-----	2,690	2,081	8,194	8,056	61,922	76,851
2003-----	1,719	7¼	1,704	7¼	-----	2,690	2,086	8,199	8,082	62,039	76,851
2004-----	1,719	7¼	1,704	7¼	-----	2,690	2,089	8,202	8,103	62,138	76,851
2005-----	1,719	7¼	1,704	7¼	-----	2,690	2,093	8,206	8,122	62,222	76,851
2006-----	1,719	7¼	1,704	7¼	-----	2,690	2,095	8,208	8,133	62,297	76,851
2007-----	1,719	7¼	1,704	7¼	-----	2,690	2,098	8,211	8,144	62,364	76,851
2008-----	1,719	7¼	1,704	7¼	-----	2,690	2,100	8,213	8,154	62,423	76,851
2009-----	1,719	7¼	1,704	7¼	-----	2,690	2,102	8,215	8,165	62,473	76,851
2010-----	1,719	7¼	1,704	7¼	-----	2,690	2,103	8,216	8,175	62,514	76,851
2011-----	1,719	7¼	1,704	7¼	-----	2,690	2,105	8,218	8,189	62,543	76,851
2012-----	1,719	7¼	1,704	7¼	-----	2,690	2,105	8,218	8,200	62,561	76,851
2013-----	1,719	7¼	1,704	7¼	-----	2,690	2,106	8,219	8,210	62,570	76,851
2014-----	1,719	7¼	1,704	7¼	-----	2,690	2,106	8,219	8,215	62,574	76,851
2015 and after--	1,719	7¼	1,704	7¼	-----	2,690	2,106	8,219	8,219	62,574	76,851

NOTE

¹ Includes increases in unfunded liability assumed to occur July 1, 1969.

Assumptions:

(1) Liberalizations effective July 1, 1969, increase normal cost by ½ percent and create unfunded liability of \$2 billion.

(2) Pay increases, effective July 1969, create additional unfunded liability of \$3.4 billion.

(3) Requirement for annual appropriations to meet requirement of Public Law 87-793 is repealed.

RECOMMENDATIONS

In the committee's judgment, its recommended approach, while somewhat new in concept and mechanics, is sound and will accomplish the desired results. Its impact on future budgets will be considerable, but that impact will nevertheless be far less drastic than if present funding practices continue unchanged. The longer action is delayed, the larger will be the problem to be dealt with. The committee believes that this bill will provide in full for the permanent financing of the civil service retirement system, so as to assure that there will always be enough money in the fund to permit the payment of all benefits due—in full and on time.

BENEFIT IMPROVEMENTS

AVERAGE PAY

The annuity computation formula is an all-important technique of expressing basic policy decisions as to how much annuity to award specified groups of employees, and how much recognition or weight to give to length of service, level of earnings, and other relevant factors in arriving at the amount of annuity.

Although there is substantial variation in State and local government retirement systems, the most prevalent type of formula arrives at the annuity by multiplying years of service by a specific percentage of the employee's final average salary (commonly the average annual salary for the last or best 5 years or fewer). The resulting annuity is usually in addition to social security benefits.

Under the civil service retirement system, the annuity is based on length of service and level of earnings during a base period—the highest 5 consecutive years, or high-5 average. Percentages of high-5 average pay are first multiplied by years of service, and then added together to produce the annuity. Under the general formula the basic annuity is the sum of: $1\frac{1}{2}$ percent of the high-5 average times the first 5 years of service, $1\frac{3}{4}$ percent of the high-5 average times the next 5 years of service, and 2 percent times years of service over 10.

There appears to be general acceptance of length of employment and level of earnings as reasonable, broad measures of an employee's contribution to Government service. However, the precise method of computing an annuity from those components has not been found wholly satisfactory either to the employee population or to the Government as an employer. Specifically, difficulties and dissatisfaction have arisen from the use of a 5-year period in determining average base pay, and from the three-step percentage formula.

The high-5 wage base tends to keep employees working beyond the time they otherwise would and should retire. This tendency is strengthened by the regularity with which general pay increases have been enacted in recent years. The highest 5 years of earnings are usually the most recent years of employment. With each additional year of service the high-5 average rises appreciably. Employees postpone retirement in order to improve their average. Up to a point, the escalating effect of the high-5 average is advantageous to the employing agency, encouraging employees to serve out their full productive years with the Government. But, with respect to those who have completed their most productive years, the formula operates to oppose the interest of management. It provides an incentive for employees to postpone retirement indefinitely, irrespective of their performance level.

Substitution of the final salary, of the salary in the last full year of employment, of a high-2 average, or of a high-3 average have all been urged as remedies. Each of these would be more advantageous than the high-5 from the viewpoint of most employees, of course, in that each would produce more favorable annuities.

On balance, it is the committee's judgment that the high-3 average appears to be the best of available alternatives from the standpoint of both the Government and the employees. Normal costs will be increased by 0.07 percent of payroll—from 13.86 percent to 13.93 percent—or \$15.4 million annually (\$7.7 million each from employees and agencies), but will be fully covered within the "normal cost" financing provision of section 102 of this legislation.

CONGRESSIONAL EMPLOYEE COMPUTATION

S. 2175 of the 83d Congress represented a major effort to deal with the special problems of elective legislative officials and their appointive congressional employees. While the resultant legislation,

Public Law 83-303, was a significant milestone in providing a retirement program for congressional employees, it dealt inadequately with the peculiar problems relating to congressional employment (lack of tenure, etc.) by placing a 15-year limitation upon the application of certain of its provisions.

H.R. 9825 would correct this inequity by removing the 15-year limitation and, in recognition thereof, also increases the contribution rate for congressional employees to 7½ percent—the same rate applicable to Members of Congress.

CREDIT FOR UNUSED SICK LEAVE

A continuing concern has been expressed over the years that, while some employees are heavy sick leave users toward the end of their careers, many others retire with substantial balances accumulated by virtue of conscientious usage of the sick leave privilege. While one-third of all retirements are for disability—and such retirees are properly entitled to the full protection provided by their sick leave—the leave problem is brought within the scope of this legislation because the use of sick leave by employees otherwise planning to retire is creating difficulty for Federal agencies.

A recent survey found, for example, that employees retiring from Government service used an average of 40 days of sick leave during their last year of employment. On the other hand, 50 percent of retirees forfeited an average of 44 days (2 months) of unused sick leave.

An employee being carried in a sick leave status prior to retirement is counted toward agency personnel ceilings until his leave expires and he is separated. Meanwhile, the work for which he is responsible must be performed on an interim basis at the cost of an additional position, or it must be absorbed by others, or it goes undone. Additional payroll costs are also incurred as he continues to earn leave—both sick and annual—until his sick leave expires. This problem will become increasingly acute as sick leave balances go higher.

Bills have been introduced over the years to grant a separating employee a lump-sum payment, in full or in part, for his accumulated sick leave account, similar to that which is paid for unused annual leave. While such plans would have the advantage of administrative simplicity, their costs would be excessive.

Recent studies indicate that there is a growing tendency, particularly among State and municipal governments, to provide some form of recognition for unused sick leave at the time an individual retires or dies while employed. In instances where a lump-sum "payoff" is provided, this recognition frequently equals 50 percent of the cash value of the unused leave. Statistics disclose that, since the adoption of such plans, overall sick leave usage has declined from an average of 8 to 7 days yearly. Further, that such a "payoff" is not quite unique is demonstrated by the practice in the Canadian Government's retirement system of continuing to pay a retired employee the equivalent of full salary and annuity benefits for the period equal to his unused sick leave.

The bill provides a limited measure of recompense for unused sick leave by increasing the total actual service performed by an employee (who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity benefits) by the length of service repre-

sentative of the calendar value of his unused sick leave. An employee who has met the age and service requirements for immediate retirement, such as one who is age 55 and has served 30 years, for example, will have his service increased by 1 calendar month for each 22 days of unused leave; or a retired or deceased employee who has accrued sufficient leave to be carried in a paid-leave status for 1 year will be given retirement service credit of 1 calendar year. Consequently, the latter employee's annuity would be computed upon 31 years of service. The additional service so granted, however, shall not be counted in determining average pay or in attaining eligibility for retirement.

This legislation embraces a change in the basic historical philosophy underlying the sick leave system, and grants a limited recognition to those employees who have prudently utilized the sick leave privilege. It is expected that by providing a benefit as an additional incentive to conserve sick leave, there will be extra consideration given by employees, generally, to the use of the leave as it is earned. By crediting such accruals, normal cost will be further increased by 0.06 percent of payroll—from 13.93 to 13.99 percent—or \$13.2 million, but will be fully covered within section 102 of this bill.

It is the consensus of the committee that such additional costs will be significantly offset by the savings resulting from a reduction in the number of days of average sick leave usage throughout the Federal service.

COST OF LIVING ADJUSTMENTS

Federal staff retirement systems represent a mixture of insurance and humanitarian principles. In the matter of adjusting annuities after retirement, insurance practice would guarantee that whatever annuity an employee had earned at the time of retirement should be preserved without change. On the other hand, humanitarian considerations would urge that the welfare of the retired person is the major concern, and that annuities should be adjusted to changing needs. The latter theory has prevailed through congressional action; but putting theory into practice has proved difficult.

The level of benefits at the time of retirement is established by a formula based on service and salary. The needs and desires of annuitants are influenced by the cost of living and also the general level of standards of living. When these variables are stable or declining, annuity adjustments are no issue; this was essentially true from 1920 to 1945. When the variables increase, however, problems arise; and that has been the situation continuously since the end of World War II.

The Congress has tried a variety of devices to cope with the problem. After the Civil Service Retirement Act was passed in 1920, civilian salaries were adjusted by the Classification Act of 1923 and a subsequent increase in 1925; but a retirement recomputation principle was never adopted. In 1926 and 1930 new formulas for computing benefits were introduced. Annuities for persons already retired were increased to the levels provided by the new formulas. Under the 1930 act the maximum benefit was \$100 a month, and most employees retiring after a full career received this amount. During the 1930's, salary schedules were stable except for temporary flat percentage cuts, and no changes were made in annuity formulas. The cost of living and general standard of living declined. Annuitants were relatively well off and therefore annuity adjustments were no issue.

During World War II, wartime controls ruled out any general action on salaries and annuities alike. However, one change was made: the \$100-a-month lid on annuities was removed in favor of a percentage of high-5 average, thus benefiting higher paid employees (which at the time meant those paid over \$2,800 a year). In 1946 this provision was also extended to cover employees who had retired before the amendment was passed.

As a result of inflation during and after the war, both active and retired employees found themselves in a new and bleaker economic world. The Consumer Price Index in 1946 stood 40 percent above the 1939 level. In 1951, with a boost from the Korean conflict, it reached 87 percent. Fortunately, civilian production recovered rapidly and action was taken to restore lost values, at least in part.

By 1956, pay schedules for most active employees, and annuities for new retirees, had pretty well caught up with the cost-of-living increase since 1939. However, national productivity still increased and wages and salaries in industry continued upward. Annuitants who had retired before the effective date of the 1956 act received a 10-percent cost-of-living raise. Those retired later received nothing under that act.

In 1962 a major effort was begun to establish annuity adjustments on a stable basis. The act of October 11, 1962, first established the principle that Federal civilian salaries should be comparable with industry salaries for similar work, and new salary schedules took steps toward effecting the principle. The act also established the policy that the purchasing power of annuities would be maintained by adjusting benefits automatically whenever the Consumer Price Index for a year exceeded the base year by 3 percent. At the same time, annuities for 1962 and earlier years were raised by 5 percent; and, to supplement the effect of the 1962 increases on high-5 averages, annuities for 1963 were raised by 4 percent, for 1964 by 3 percent, for 1965 by 2 percent, and for 1966 by 1 percent. Further, the 1952 and 1955 ceilings on annuity increases were abolished, so that all earlier retirees got the benefit of previous increases.

The Consumer Price Index had increased 118 percent from 1939 to 1962, and while the Consumer Price Index formula was a welcome innovation, its operation disappointed annuitants. It fell barely short of forcing an automatic increase in 1965 and left them to wait another year.

The 89th Congress reacted by passing new legislation in 1965. The Consumer Price Index formula was revised to provide automatic increases whenever the Consumer Price Index rose by 3 percent over the previous base period for 3 successive months. The new formula generated an automatic increase of 4.6 percent for all annuitants in 1965. In addition, the Congress provided additional increases of 6 ½ percent for civil service retirement annuitants who had retired before October 1, 1956, and 1 ½ percent for those who retired between that date and December 31, 1965—an average of 7 ½ percent. Subsequent automatic adjustments of 3.9 percent, respectively, have become effective on January 1, 1967, May 1, 1968, and as recently as March 1, 1969.

If the present Consumer Price Index formula had been in effect since 1920, it presumably would have been suspended during the period of wartime inflation as a result of wartime controls. After the

war, however, it would have provided a guide more effective than any then available for bringing the value of annuities back to a reasonable relation with the rest of the economy. Once the annuities regained their original purchasing power, the formula would have maintained them by prompt and equitable action when living costs rose further.

While values are in better balance now, on the whole, than at any time in the past, a notable deficiency continues to exist. A period of 5 months elapses between the initial month in which the Consumer Price Index rises by 3 percent over the previous base month and the month in which the cost-of-living adjustment is reflected in the annuity checks. During that elapsed period the Consumer Price Index continues its upward trend, generally attaining a level in excess of 1 percent of the actual percentage rate of adjustment.

In order to correct this serious deficiency in the adjustment formula and thereby compensate retirees and survivor annuitants for the intervening incremental rises in the cost of living, H.R. 17682 will add 1 percent to all future percentage adjustments. For example, if the highest level attained during the 3-month measuring period equals 4 percent, an additional 1 percent will be added thereto and result in an automatic adjustment of 5 percent. Annual costs would be increased by approximately \$23 million on each occasion.

REMARRIAGE OF SURVIVOR-ANNUITANTS

Prior to the amendment contained in section 506 of Public Law 89-504, approved July 18, 1966, payment of widows' and widowers' survivor annuities ceased and further entitlement thereto terminated upon remarriage.

The act of July 18, 1966, however, preserved the survivor annuity entitlement of spouses of only those employees who retired from, or died in, active employment thereafter in two respects. In the event of remarriage after reaching age 60, payment of the survivor annuity will continue. In the event of remarriage prior to reaching age 60, the survivor benefit ceases but may be restored upon dissolution of the remarriage.

H.R. 17682 will accord equal treatment to the spouses of employees who retired or died prior to July 18, 1966, provided the remarriage occurs after July 17, 1966. It also contemplates restoring, prospectively, a spouse's annuity which has already been terminated by reason of a remarriage occurring on or after July 18, 1966. It is not proposed, however, to extend similar treatment to a spouse whose remarriage occurred prior to July 18, 1966.

EFFECTIVE DATES

The amendments made by titles I and II become effective on the date of enactment of this legislation. However, certain provisions amended by title I are effective as specified in the sectional analysis.

EXPLANATION OF THE BILL BY SECTIONS

The proposed statutory changes involve amendments to subchapter III of chapter 83 of title 5, United States Code, respecting civil service retirement. Title I proposes a positive plan of action to solve the

problem of financing the system by improving past and present inadequate funding practices. Title II amends title 5, United States Code, by proposing certain limited improvements in the benefits structure of the system.

Section 101 amends section 8331 by adding paragraphs (17), (18), and (19). Paragraph (17) defines "normal cost" as the level percentage of the basic pay of all new employees needed throughout their careers to finance the retirement benefits they will earn. Paragraph (18) defines "Fund balance," for purposes of financing, as the par value of securities in which retirement money is invested plus the uninvested cash remaining in the retirement fund. Paragraph (19) defines "unfunded liability" as the estimated amount needed to finance all benefits due present and former employees and members from the fund, less money now in the fund and to be placed in it in the future. These definitive terms are necessary for the implementation of the subsequent provisions of the bill.

Section 102 amends the substance of section 8334(a) in two respects:

(1) It raises the current rate of employee and agency contributions from $6\frac{1}{2}$ percent to 7 percent, and congressional employee and matching contributions from $6\frac{1}{2}$ percent to $7\frac{1}{2}$ percent, effective beginning with the first pay period in January 1970, so as to cover the full normal cost of present benefits and those proposed in title II; and

(2) It also provides for carrying such increased contribution rates into the computation of deposits due for service for which deductions were not currently withheld.

Section 103 amends section 8348 by—

(1) adding a provision making the fund available, subject to annual limitations set by Congress, for administrative expenses incurred by the Commission in connection with operation of the several retirement programs under its jurisdiction. Such expenses are now paid from the fund under authority of appropriation language, which should be replaced by substantive legislation.

(2) striking out present subsections (f) and (g) and adding new subsections (f) and (g), as explained below.

New subsection (f) authorizes appropriations to the fund in equal annual installments over a 30-year period to finance any newly created unfunded liability incurred by the enactment of future legislation, including liberalizations with respect to active employees, extension of coverage to new groups of employees, general salary increases, and any new statutory annuity increases (other than automatic cost-of-living adjustments).

The Government would assume full responsibility for additional deficiencies and, by amortization, preclude further increases in the existing unfunded liability.

New subsection (g) proposes to meet the obligation for the unfunded liability incurred by legislation already enacted through permanent indefinite appropriations beginning on a modest scale at the end of fiscal year 1971, and increasing each year until in fiscal year 1980 and thereafter, the amount transferred from the general revenues of the Treasury to the fund will be the full equivalent of interest on the unfunded liability.

Section 104 is a technical amendment to conform with the financing concept proposed in the preceding sections of title I.

Section 105 would repeal the now unnecessary requirement that the Civil Service Commission submit annual estimates of the appropriations necessary to reimburse the fund for the cost of annuity increases voted in 1958, but not fully covered by appropriations.

Section 201 modifies the average pay computation period from 5 to 3 years.

Section 202 amends section 8334(g) to conform to the intent of new subsection 8348 (m) relating to unused sick leave credit.

Section 203 amends section 8339 in several respects:

(1) It deletes the 15-year limitation imposed under the congressional employee computation formula, and extends to such employees the same computation formula accorded Members of Congress; and

(2) It includes for service computation purposes the length of service represented by the calendar value of unused sick leave to the credit of an employee who retires, or dies in service leaving a spouse or survivor eligible for annuity benefits. Such credit shall not be available for purposes of entitlement or average pay.

Section 204 amends section 8340, the automatic cost-of-living adjustment provision, to add 1 percent to all future percentage adjustments so as to compensate for the 5-month period elapsing between the Consumer Price Index attaining a rise of 3 percent and the subsequent payment of the increase.

Section 205 amends section 8341 so as to extend its application to all survivor annuitants whose remarriages occur on or after July 18, 1966. Rather than the date of retirement or death in service governing, the date of remarriage would govern whether or not the survivor benefit is terminated. Whereas the amendment of July 18, 1966, preserved the survivor annuity entitlement of spouses only of employees who retired or died in active employment thereafter, this provision will accord equal treatment to the widow of a person who retired or died before July 18, 1966, if her remarriage occurs after July 17, 1966. It will also reinstate, on date of enactment, the survivor annuity of a spouse whose benefit has previously been terminated by reason of a remarriage which occurred on or after July 18, 1966.

Section 206 provides for the prospective application of the preceding sections of title II.

ESTIMATED COSTS

The Civil Service Commission estimates that present employee-agency contributions of 13 percent of total payroll fall short by 0.86 percent of payroll in covering the normal cost of present benefits. By increasing the combined contribution rate to 14 percent (7 percent each from employees and agencies), annual income to the fund will be increased by approximately \$220 million (\$110 million from employees and agencies, respectively); \$190 million thereof is necessary to cover present normal cost, and \$30 million thereof will be sufficient to fully finance the normal cost of benefit liberalizations provided herein.

The Commission estimates that any newly enacted legislation will require an annual payment of \$52.5 million to amortize, over 30 years, each \$1 billion of unfunded liability incurred.

The Commission estimates that when fully implemented in 1980, the amount to be transferred from the general revenues of the Treasury

representing the full equivalent of interest on the then-existent unfunded liability will approximate \$2.7 billion annually.

Modification of the average pay period to 3 years will have a normal cost of 0.07 percent of payroll (\$15.4 million), but will be fully covered by increasing employee-Government contributions to 14 percent. Present normal cost will thereby be increased from 13.86 13.93 percent of payroll. It will add an estimated \$337 million to the existing unfunded liability.

The normal cost of deleting the 15-year limitation on the congressional employee computation is covered by increasing such employees' deductions and matching agency contributions to 7½ percent, respectively. Any increased unfunded liability is deemed to be minimal.

The Commission estimates the normal cost of granting retirement credit for unused sick leave to be 0.06 percent of payroll (\$13.2 million), thereby further increasing the total normal cost to 13.99 percent. An estimated \$329.5 million would be added to the existing unfunded liability.

It is estimated that an additional 1-percent increase granted annuitants on any future cost-of-living adjustment will have a minimum annual cost of approximately \$23 million. Normal costs will not be increased, but the unfunded liability would be increased by \$243 million on such occasion.

Extending the application of the remarriage provisions to spouses who remarry subsequent to July 17, 1966, will incur no normal cost, but is estimated to add \$150 million to the unfunded liability.

AGENCY REPORTS

This legislation is based, in part, on the recommendations of the Civil Service Commission and the General Accounting Office presented during extensive hearings on H.R. 10912 of the 90th Congress and H.R. 770 of the 91st Congress. The initial and interim reports of the Chairmen of the Civil Service Commission, and the reports of the Comptroller General of the United States and the Bureau of the Budget, follow:

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., June 8, 1967.

HON. JOHN W. McCORMACK,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: I submit for the consideration of Congress, and urge early action on, a proposal to improve financing and funding of the civil service retirement system.

By the end of this fiscal year, the unfunded liability of the system will top \$48 billion. Under present financing practices, the unfunded liability will continue to grow by more than \$1.5 billion every year, sometimes much more; disbursements will outstrip receipts by 1974; and by 1987 the present (January 31) \$17.1 billion balance will be reduced to nothing. The year-by-year effect of continuing current financing policy is shown in table I attached.

This situation did not develop overnight. It is the product of years of inadequate financing. Employees have always paid their full share of retirement costs as set by law. Government has appropriated substantial sums to the civil service retirement and disability fund from time to time, but it has not contributed, regularly and systematically,

in amounts sufficient to meet that portion of accruing costs not covered by employee contributions. (Attachment A summarizes past financing action.) The fund has lost the interest that would otherwise have been earned on investment of the additional contributions, a loss that now amounts to \$1.7 billion a year. Successive benefit liberalizations, inadequately financed, have compounded the problem. In its report on valuation of the fund as of June 30, 1965, the Board of Actuaries of the civil service retirement system points out that "before this report is made, the total fund will have fallen even below the liabilities for existing annuitants and separated employees. This means, in effect, that no funds would exist in respect of nonretired persons, either as to their accrued annuities or as to their own accumulated contributions."

The Civil Service Commission strongly urges adoption of a definite program of action to meet this growing financial threat. We recommend a three-step approach: the first to cover normal costs of the system, the second to cover increases in the unfunded liability resulting from legislation enacted in the future, and the third to discharge Government's responsibility for the unfunded liability created by legislation already enacted. The proposal provides that—

1. full normal costs of present benefits and of all liberalizations authorized in the future be paid into the fund currently via matching agency and employee contributions. Contribution rates would be raised, equally for employees and agencies, whenever liberalized eligibility requirements or benefits increase normal costs.

2. all future substantive and pay-raise legislation which would otherwise increase the unfunded liability specifically authorize payments to the fund in accordance with a 30-year schedule written into the retirement law. These payments would begin at a nominal rate the first year; increase in regular amounts, by arithmetic progression, each year thereafter; and cover within a 30-year period the entire cost, including interest, of the unfunded liability created by the legislation. In every case the authorization would be accompanied by an immediate appropriation in the amount called for by the schedule for the first year.

3. permanent, indefinite appropriations be authorized to "peg" the fund at the highest yearend balance it reaches or at employee equity, whichever is greater. Pegging would be accomplished via automatic transfers of moneys from the general revenues of the Government to the trust fund as needed to maintain the latter at the designated level of adequacy. Moneys so transferred would pay underfinanced benefits earned during service already performed and granted by legislation already enacted, but due to be paid in the future.

The recommended approach is one of several different methods which might be adopted. The Board of Actuaries, for example, has repeatedly recommended that Government make direct appropriations equal to the amount necessary, in addition to the contributions of employees and employing agencies, to meet the full normal cost and the amount of accruing interest on the deficiency. The Committee on Retirement Policy for Federal Personnel, created by Congress in 1952 to study all Federal retirement systems, made a similar recommendation, tempered by a recognition that the fiscal situation of the Government might make necessary a gradual rather than imme-

diate approach to that goal. A 1963 administration proposal recommended full funding of all future benefits increases, continuation of matching employee and agency contributions, and supplemental agency contributions gradually increasing to the level at which normal cost plus interest funding would have been attained. Though hearings were held on that proposal (S. 1562), legislation was not enacted by the 88th Congress and, pending completion of a study of the Cabinet Committee on Federal Staff Retirement Systems, no financing recommendation was submitted to the 89th Congress.

The current proposal is the one recommended to the President by the Cabinet Committee and endorsed by him in his March 7, 1966, pay message. If adopted, it would—

- require advance provision to meet full estimated costs of retirement, including costs of present benefits, costs of benefits already earned but due to be paid in the future, and costs of benefits resulting from future legislation including general pay increases; ease the impact of these costs on the administrative budget for several years into the future;

- increase contribution rates of employees and agencies in January of 1968, and thereafter as required by future liberalizations, to cover normal cost of the benefits in effect. (Normal cost of present benefits is 13.86 percent, nearly 1 percent above current contribution rates; the rate increase will be one-half of 1 percent even if there are no benefit liberalizations);

- provide a measure of "braking" effect on pressures for undue liberalizations;

- control, and eventually stop, growth of the unfunded liability;

- keep fund receipts ahead of disbursements, and prevent depletion of the fund (otherwise expected to occur in 1987);

- prevent excessive buildup of the fund in advance of actual need for the money; and

- assure payment of earned benefits, in full and on time, without awaiting appropriation action to provide funds for benefits already due.

Table 2 shows progress of the fund under this financing method, assuming present benefit and pay levels.

Draft legislation which would amend the retirement law in accordance with this recommendation is attached, together with a sectional analysis. The draft legislation would also—

- make the fund available for payment of the Commission's expenses in connection with administration of retirement laws. Such expenses are now being paid from the fund under appropriation authority enacted last year (Public Law 89-128), but substantive legislation is needed and the House Appropriations Committee urges that we seek it promptly;

- merge into one of the civil service and the Foreign Service retirement and disability funds (but not the benefit structure or the administration of the two systems). Both funds are experiencing the same difficulties, for the same reasons. The foreign service retirement and disability system is so small in comparison with that for the civil service system that merging funds could have no significant actuarial effect on financing of the larger system; and

repeal certain estimating and other requirements which will no longer be necessary if the proposed financing method is adopted.

The Civil Service Commission believes that administration of the retirement system is one of its most important responsibilities. It is an essential part of a modern employment system designed to attract and retain employees of the caliber required to conduct the complex business of Government. It contributes importantly toward financial security for millions of past, present, and future Government employees and their dependents. There should never exist the slightest doubt of the system's ability to meet its commitments to these people. That doubt now exists.

The Government's financial obligation is clear. The Government's recognition of, and action to meet, that obligation is imperative. The situation has been studied intensively during the past few years by the Civil Service Commission, the Bureau of the Budget, the Cabinet Committee on Federal Staff Retirement Systems, and the Board of Actuaries and has been discussed extensively with congressional committees. It is time, now, that Government face the problem realistically and adopt some definite program to meet it.

In our judgment, the recommended approach is sound and will accomplish the required results. Its impact on the administrative budget will be sudden and sharp, beginning around 1975, but that impact will nevertheless be far less drastic than if present financing practices continue unchanged. The longer action is delayed, the larger will be the problem to be dealt with. We strongly urge, therefore, prompt and positive action to solve the problem of retirement financing and funding in such a way as to maintain confidence in the integrity of the system and to assure that there is always enough money in the fund to permit payment of all benefits due, in full and on time.

The Bureau of the Budget advises that enactment of this proposal would be in accord with the President's program.

By direction of the Commission.

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C. April 24, 1967.

B-130150.

To the President of the Senate and the Speaker of the House of Representatives:

The General Accounting Office has reviewed the present method of financing the civil service retirement system administered by the U.S. Civil Service Commission.

Several different proposals for improving the financing of the system have been made in recent years. The most recent was contained in the report of the Cabinet Committee on Federal Staff Retirement Systems, submitted to the Congress by the President on March 7, 1966 (H. Doc. 402, 89th Cong.).

The General Accounting Office has outlined in this report an alternative approach for financing the civil service retirement system which would provide for—

1. agency contributions and deductions from employees' salaries, in such proportions as may be enacted into law by the Congress, to cover the full normal cost of the system.

2. direct appropriations to the civil service retirement and disability fund to amortize in level amounts over a 20-year period all future increments in the unfunded accrued liability; i.e., the accumulative costs of the system for which funds have not been provided; and

3. direct appropriations to the fund under permanent indefinite authority in annual amounts equivalent to interest on the unfunded accrued liability which is expected to be about \$50.3 billion at June 30, 1967, if restrictions on the payment of certain benefits are removed.

An analysis and comparison of the effect of the Cabinet Committee recommendations and the alternative approach are presented in the report.

A major difference between the two proposed methods of financing the system is that the Cabinet Committee recommendations would postpone indefinitely recognition in the Government's administrative budget of some \$36 billion in future costs of the civil service retirement system—measured by the difference between the amount of the unfunded accrued liability of about \$50.3 billion expected to exist as of June 30, 1967, and the amount of the unfunded accrued liability of approximately \$86 billion which would exist in the year 2015 or thereabouts and which would become stabilized at that time and at that amount under the Cabinet Committee's plan.

We believe that, in furtherance of the objective of prudent management of the Government's financial affairs, a consistent method of financing the system should be established that will recognize and provide for all costs of maintaining the system from year to year as the costs are incurred. This objective would be attained under our alternative approach and the unfunded accrued liability would become stabilized immediately.

There are many approaches that can be taken to improve the financing of the civil service retirement system, two of which are explained in this report. It is our view that, regardless of the approach the Congress may choose to follow, it is important that a definite plan be adopted to improve the financing of the system at an early date.

Copies of this report are being sent to the Director, Bureau of the Budget; the Secretary of the Treasury; and the Chairman, U.S. Civil Service Commission.

ELMER B. STAATS,
Comptroller General of the United States.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 22, 1968.

HON. DOMINICK V. DANIELS,
*Chairman, Subcommittee on Retirement, Insurance, and Health Benefits,
Committee on Post Office and Civil Service, House of Representatives.*

DEAR MR. DANIELS: The plan for improving the financing of the civil service retirement system which is described briefly in this letter is acceptable to the Comptroller General, the Bureau of the Budget,

and the Civil Service Commission. Draft language to revise your bill, H.R. 10912, to put the three steps of this plan into effect is enclosed.

Step I.—Financing normal cost

Employees and their agencies will share equally, via employee deductions and matching agency contributions, the full normal cost of present benefits and of all future liberalizations authorized by Congress.

The Commission will determine when an adjustment in the percentage of deductions and contributions is necessary to meet full normal cost, and will notify the Vice President and the Speaker of the House of its proposed adjustment. The new percentages will go into effect the first pay period which begins at least 60 days of continuous session of Congress after the notice, unless before then either the House or the Senate has passed a bill which provides a different adjustment or has passed a resolution which specifically disapproves the adjustment proposed by the Commission.

Step II.—Financing newly created unfunded liability

Future legislation which creates additional unfunded liability will include authorization for appropriations to the retirement fund to finance the newly created liability, in equal annual installments over a 30-year period, with interest at the rate used in the most recent valuation of the system. The first installment is due as of the effective date of the statute which creates the liability.

Step III.—Financing the unfunded liability attributable to existing statutes

The Government assumes full responsibility for unfunded liability which arises from legislation already enacted. It will meet this obligation through permanent indefinite appropriations beginning on a modest scale at the end of fiscal year 1971 and increasing each year for the following 9 years. The Secretary of the Treasury will transfer to the retirement fund the following percentages of amounts equivalent to interest on the unfunded liability: 10 percent for 1971; 20 percent for 1972; and an additional 10 percent for each following year until, for the fiscal year 1980 and each year thereafter, the amount transferred will be the full equivalent of interest on the unfunded liability.

We have prepared the enclosed two tables to show the estimated progress of the retirement fund under present financing and under the plan described in this letter. For purely illustrative purposes we have assumed, for both table A and table B, legislation effective July 1, 1969, which increases normal cost by one-half percent and creates additional unfunded liability of \$2 billion.

If enacted, this plan will provide in full for the permanent financing of the civil service retirement system.

Sincerely yours,

JOHN W. MACY, Jr., *Chairman.*

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, D.C., March 14, 1969.

B-130150.

HON. THADDEUS J. DULSKI,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives.*

DEAR MR. CHAIRMAN: We refer to your letter of January 13, 1969, requesting our report upon H.R. 770 which would amend the retirement provisions contained in chapter 83 of title 5, United States Code. The bill is designed primarily to improve financing of the civil service retirement system but also it would liberalize certain employee retirement benefits.

We are firmly convinced that the prudent management of the Government's financial affairs requires the adoption of a sound plan to provide permanent financing of the civil service retirement system. Section 102 of the bill contains the method of financing agreed upon by the Civil Service Commission and our Office which was submitted to the Chairman of the Subcommittee on Retirement, Insurance, and Health Benefits, House of Representatives, by letter of the Chairman of the Civil Service Commission, dated March 22, 1968, and which was included in H.R. 17682, 90th Congress, which passed the House of Representatives on October 1, 1968,

Section 103 of the bill contains additional financing provisions which previously had been included in H.R. 17682, 90th Congress. These provisions were objected to by the Civil Service Commission as creating unnecessary complications in administration of the financing of the system and because they did not strengthen the proposals for financing the system which were set forth in section 102 of H.R. 17682 which proposals are substantially the same as those appearing in section 102 of H.R. 770.

Section 201 of the bill provides for the inclusion of overtime and other premium compensation as "basic pay." Apparently this is done for the purpose of increasing the high average salary upon which annuities are computed. However, as we previously pointed out in our report of May 27, 1968, B-130150, on H.R. 16288, 90th Congress, whether the inclusion of overtime and other premium pay as "basic pay" will result in higher retirement annuities for retired employees depends upon whether such overtime or other premium pay was earned during the period upon which the employees' high average salaries were computed.

Section 202 would authorize the computation of annuities based on an average of the highest 3 consecutive years of pay rather than an average of the highest 5 consecutive years of pay as provided in the present law. Whether this benefit should be granted at the present time is a matter of policy for determination by the Congress and we offer no recommendation with respect thereto.

Section 204 of the bill would authorize increasing an employee's length of service for retirement purposes by the amount of sick leave to his credit on the date of his final separation from service. The credit would be permitted even though it might result in increasing the annuity in excess of the 80-percent limitation contained in 5 U.S.C. 8339(e). In connection with the question of the propriety of granting this benefit we have, in commenting upon previous bills to accomplish such purpose, expressed doubt whether a premium should be granted

an employee in the form of increased retirement credit because he enjoyed good health during his Government career and thereby accumulated large amounts of sick leave. In this connection, it should be noted that while the granting of retirement credit for sick leave may give an employee an incentive to accumulate as much sick leave as possible, it also may result in his continuing on duty when he should be at home because his presence on the job may endanger the health of fellow employees.

Section 205 of the bill would add an extra 1 percent to each cost-of-living adjustment resulting from an increase in the Consumer Price Index. In House Report 1586 on H.R. 17682, 90th Congress, it was noted that any such added increase is designed to compensate an annuitant for the 5-month period elapsing between the Consumer Price Index attaining a rise of 3 percent and the subsequent payment of the increase. In considering such a benefit it must be remembered that the extra 1-percent increase would be received by the annuitant indefinitely and would become part of the base subsequently used to arrive at both the next cost-of-living increase and the next extra 1-percent increase. As a result, there could be a spiraling effect which might cause annuities to be increased to a level that would be higher than could be justified by the related cost-of-living index.

Section 206 of the bill would grant widows and widowers whose annuities were terminated because of remarriage prior to enactment of Public Law 89-504, approved July 18, 1966, the same entitlement to have their annuities restored upon divorce, annulment, or death of the spouse whom they remarried that were granted prospectively to annuitants losing their annuities because of remarriages occurring after enactment of Public Law 89-504. While enactment of section 206 of the bill also involves a matter of policy for determination by the Congress, we invite attention to the fact that the same justification for liberalizing future retirement benefits (including survivor benefits) as a means of attracting and retaining the services of competent Government personnel would not be present as a basis for liberalizing retroactively the benefits previously vested by virtue of death or retirement of a Government employee.

Finally, we call attention to the report of the Chairman of the Civil Service Commission upon H.R. 17682, which is printed on pages 30-32 of House Report 1586 dated June 26, 1968. In the third from last paragraph of the Commission's report, it was pointed out that the retirement liberalizations contained in H.R. 17682, 90th Congress, which are identical with those appearing in H.R. 770, would create an estimated additional unfunded liability of \$3.3 billion (including the added 1 percent for the first annuity increase only) which we understand would have to be financed in the manner provided for in the bill.

Sincerely yours,

ROBERT F. KELLER,
Acting Comptroller General of the United States.

U.S. CIVIL SERVICE COMMISSION,
Washington, D.C., March 18, 1969.

Hon. THADDEUS J. DULSKI,
Chairman, Committee on Post Office and Civil Service,
House of Representatives.

DEAR MR. CHAIRMAN: This report is made in response to your request of January 13, 1969, for the Commission's views on H.R. 770, a bill to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

Title I of the bill would strengthen financing and funding of the retirement system, an objective which the Civil Service Commission has sought for years and which continues to be of major concern to us. Our annuitants now number nearly 900,000, and we are paying out slightly more than \$2 billion a year in monthly benefit checks. The size of this system and the critical reliance placed on it by its members—present and future—are such that Government can no longer afford the hit-and-miss financing methods of the past. Those methods are detailed in House Report 1586 accompanying H.R. 17682 (90th Congress), as are the results to be expected if present financing continues (table A in the report) and if the financing methods recommended to the Congress last year are adopted (table B). While the figures in the tables have not been updated, their illustration of the principle and the problem are still valid.

The fund's deficit as of June 30, 1969, will be \$57.7 billion. Within 5 years we will be paying out more than present financing methods bring in. Within 17 years the balance will have dropped from the present \$19.4 billion to zero. Special appropriations of \$3 to over \$4 billion—in addition to the matching employee-agency contributions—will then be required every year in order to make current payments. Unless such appropriations are made in full, on time, every year, the Commission will be unable to pay retired employees and their survivors the benefits they have earned through years of service and are counting on for support in their old age. Nonreceipt, or even delayed receipt, of their annuity checks would be extremely serious for thousands of these elderly people, many of whom have no other source of income. We would be delinquent in our responsibility if we did not renew and reinforce our recommendation for timely and effective congressional action to assure that such a situation does not occur.

We, therefore, strongly support those provisions of title I which would require:

1. That employees and agencies meet full normal costs of present and newly authorized benefits through matching contributions.

2. That Government pay costs of every increase in unfunded liability created by new legislation, through equal annual installments over a 30-year period.

3. That Government meet its responsibility for the unfunded liability due to already-enacted legislation, through gradually increasing permanent indefinite appropriations which after 10 years would equal interest on the unfunded liability.

These provisions, to which the Civil Service Commission, the Bureau of the Budget, and the General Accounting Office agreed last year before House passage of H.R. 17682, still seem highly desirable to us, and we recommend their early enactment.

To cover the full normal cost of present benefits, section 102(1) of H.R. 770 would increase deduction rates for employees generally from $6\frac{1}{2}$ to 7 percent of pay. Member deduction rates, already at $7\frac{1}{2}$ percent, would not be changed. Under section 102(2), the Commission would notify the Congress of any future increase in contribution rates required to cover full normal costs, and the higher rates would become effective following 90 days of continuous session of Congress after the notice, unless either the House or the Senate before that time passed a resolution specifically disapproving the proposed adjustment or a bill authorizing a different adjustment. We agree with these provisions.

We suggest deletion of those provisions of title I that would (a) make payment of annuity increases after the first full fiscal year contingent upon congressional appropriation of the necessary additional amounts, (b) require the Secretary of Defense to transfer to the retirement fund each year an amount equal to annuity disbursements attributable to military service, and (c) require each agency to transfer to the fund an amount equal to the value of unused sick leave for an employee who retires or who dies in service leaving a qualified survivor.

Provision (a) would not only create unnecessary complications, but could also prove embarrassing both to Congress and to the Commission if payment of an authorized benefit—one that had been paid in previous years—had to be stopped because of later refusal of, or delay in making, the required appropriation. Provisions (b) and (c) would in no way reduce Government's retirement expenditures; they would only increase the number of appropriations required to authorize those expenditures, introducing administrative complications without changing the end financing result. Since the basic proposal (the provisions numbered 1, 2, and 3 above) would provide full permanent financing, these additional measures are superfluous and no good purpose would be served by their enactment.

Title II would liberalize existing benefits in the following ways:

1. Gross earnings, rather than basic pay, would be used in determining retirement benefits and deductions.
2. Average salary for annuity computation purposes would be determined on the basis of 3 rather than 5 years.
3. Unused sick leave would be added to the actual length of service in computing annuities.
4. An extra 1 percent would be added to each annuity increase resulting from changes in the Consumer Price Index.
5. The July 18, 1966, amendments which permit continuation of annuity when a surviving spouse remarries after reaching age 60, and restoration of annuity upon termination of a remarriage which occurred before age 60, would be made applicable to all cases in which remarriage occurs after July 17, 1966.

These liberalizations—including the added 1 percent for the first cost-of-living annuity increase, but not for succeeding ones—would raise the normal cost of the system from its present 13.86 percent of payroll to 13.99 percent and would create an additional \$3.7 billion in unfunded liability. Since there has been no demonstrated urgent need for these benefit liberalizations, which are clearly secondary in importance to the main objective of improving financing, I recommend that they not be included in this particular bill.

The problem of retirement financing has been exhaustively studied and discussed for more than 6 years now. It is clear that present

financing practices cannot assure full and timely payment of the benefits already earned. Neither can they allay the fears and restore the confidence of the thousands of elderly people who depend upon monthly payments from the retirement system for the necessities of their day-to-day living. We urge early action to provide the legislation that is needed.

In summary, if the bill is amended to delete those financing provisions which we consider unnecessary and to delete the liberalizing amendments proposed in title II, we strongly urge enactment of H.R. 770.

If further consideration is given the bill, there are a number of technical changes that should be made in the bill. The Commission will be happy to provide technical assistance in this regard at your request.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

By direction of the Commission.

Sincerely yours,

ROBERT E. HAMPTON,
Chairman.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., March 19, 1968.

HON. THADDEUS J. DULSKI,
*Chairman, Committee on Post Office and Civil Service,
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in reply to the committee's request for the views of the Bureau of the Budget on H.R. 770, to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

Title I of the bill is designed to strengthen the financing and funding of the retirement system. This Bureau fully supports those provisions of title I which would require that:

1. Employees and agencies meet full normal costs of present and newly authorized benefits through matching deductions and contributions.

2. The Government amortize all future increases in unfunded liability created by legislation through equal annual installments over a 30-year period.

3. The Government meet its responsibility for the existing unfunded liability through gradually increasing permanent indefinite appropriations, which after 10 years would equal interest on the unfunded liability.

Other provisions of title I would—

1. Make payment of annuity increases after the first full fiscal year contingent upon congressional appropriation of additional moneys necessary to cover such increases.

2. Require the Secretary of Defense to transfer to the retirement fund each year an amount equal to annuity disbursements attributable to military service for which free credit has been allowed.

3. Require each agency to transfer to the fund an amount equal to the value of unused sick leave for each employee who retires or who dies in service leaving a qualified survivor.

These three provisions would not enhance the adequacy of the financing arrangements provided by the first three basic provisions cited above. On the contrary, they would create unnecessary administrative complications and additional recordkeeping transactions in all of the individual agencies. Accordingly, we recommend their deletion.

Title II of H.R. 770 would provide a number of liberalizations primarily designed to enhance the value of annuities earned by long-service employees. In the aggregate, they would have the effect of increasing the unfunded liability by more than \$3.7 billion. We believe it would be incongruous to include in a bill designed to halt the growth of the unfunded liability of the retirement system, provisions which would of themselves increase the existing unfunded liability by more than 6 percent.

The present benefit formula provides, for career employees, annuities that are already generous in comparison with those offered by most private retirement systems. Furthermore, the pay increase scheduled for July 1969 will have the effect of substantially increasing the value of all future annuities. This is evidenced by the fact that it will add \$3.4 billion to the unfunded liability.

Therefore, we recommend that the liberalizations contained in title II be deleted.

In recommending deletion of these liberalizations, the Bureau is not taking the position that any further liberalizations are undesirable. On the contrary, we believe that the present benefits are deficient in several respects. For example, under present arrangements many employees who leave Government service prior to qualifying for an immediate annuity derive no benefit whatsoever from the system. Employees who leave before completing 5 years' service are entitled only to a refund of their contributions. Many employees who serve up to 20 years take a refund instead of the right to a deferred annuity at age 62. Furthermore, survivors of employees who die even after as much as 20 years of service receive smaller benefits than would have been payable if the service had been under the social security system.

At the request of the House Committee on Ways and Means, the Social Security Administration has submitted a report recommending several measures which would correct these inadequacies of the civil service retirement system. Specifically, it proposes:

1. Where there is no benefit eligibility under the (Federal) retirement system when a worker dies, becomes disabled, or retires, credit would be transferred from the staff-retirement system to social security.

2. Where there is benefit eligibility under the retirement system, the staff-retirement system benefits (or if social security benefits based on other work are also payable, the staff-retirement system and social security benefits together) would be guaranteed to be at least as high as if all employment subject to the staff-retirement system had been covered by social security.

We believe that enactment of the measures proposed in the social security report would correct fundamental weaknesses of the civil service benefit structure and, therefore, should have a higher priority

claim on Federal compensation expenditures than liberalizations of the kind contained in title II.

The social security report also suggests that Federal employees be brought under the medicare program. At age 65 medicare benefits would be substituted for those now provided by the various Federal employee health benefits plans. Since medicare is a prepayment plan, premium charges for health care after age 65 would be considerably less than those now paid by retired Federal employees. Furthermore, the premiums now paid by active employees for health benefits could be reduced or future increases minimized.

In summary, the Bureau of the Budget believes that retirement legislation enacted this year should be confined to improving the financing and funding of the retirement system, and recommends that H.R. 970 be amended accordingly.

Sincerely yours,

WILFRED H. ROMMEL,
Assistant Director for Legislative Reference.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 5 OF THE UNITED STATES CODE

* * * * *

§ 1308. Annual reports

* * * * *

(c) The Commission shall publish an annual report on the operation of subchapter III of chapter 83 of this title, including a statement concerning the status of the Civil Service Retirement and Disability Fund [on a normal cost plus interest basis].

* * * * *

§ 8331. Definitions

For the purposes of this subchapter—

* * * * *

(4) “average pay” means the largest annual rate resulting from averaging an employee’s or Member’s rates of basic pay in effect—

(A) over any [5] 3 consecutive years of creditable service; or

(B) at a Member’s option over all periods of Member service after August 2, 1946, used in the computation of an annuity under this subchapter; with each rate weighted by the time it was in effect;

* * * * *

(15) “price index” means the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics; [and]

(16) "base month" means the month for which the price index showed a percent rise forming the basis for a cost-of-living annuity increase[.];

(17) "normal cost" means the entry-age normal cost computed by the Civil Service Commission in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay;

(18) "Fund balance" means the sum of—

(A) the investments of the Fund calculated at par value; and

(B) the cash balance of the Fund on the books of the Treasury; and

(19) "unfunded liability" means the estimated excess of the present value of all benefits payable from the Fund to employees and Members, and former employees and Members, subject to this subchapter, and to their survivors, over the sum of—

(A) the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf; plus

(B) the present value of Government payments to the Fund under section 8348(f) of this title; plus

(C) the Fund balance as of the date the unfunded liability is determined.

* * * * *

§ 8334. Deductions, contributions, and deposits

(a) (1) The employing agency shall deduct and withhold [6½] 7 percent of the basic pay of an employee and 7½ percent of the basic pay of a *Congressional employee* and a Member [, and an]. An equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingent fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

(2) The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member [under this section] also shall be credited to the Fund.

* * * * *

(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

	Percentage of basic pay	Service period
Employee-----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	【After October 31, 1956.】 November 1, 1956, to December 31, 1969.
	7-----	After December 31, 1969.
Member or employee for Congressional employee service-----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7½-----	After December 31, 1969.
Member for Member service-----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to August 1, 1946.
	6-----	August 2, 1946, to October 31, 1956.
	7½-----	After October 31, 1956.

Notwithstanding the foregoing provisions of this subsection, the deposit with respect to a period of service referred to in section 8332(b) (6) 【which was performed prior to the effective date of the National Guard Technicians Act of 1968】 of this title performed before January 1, 1969, shall be an amount equal to 55 【per centum】 percent of a deposit computed in accordance with such provisions.

* * * * *

(g) Deposit may not be required for—

- (1) service before August 1, 1920;
- (2) military service;
- (3) service for the Panama Railroad Company before January 1, 1924; 【or】
- (4) service performed before January 1, 1950, by natives of the Pribilof Islands in the taking and curing of fur seal skins and other activities in connection with the administration of Pribilof Islands【.】 ; or
- (5) days of unused sick leave credited under section 8339(m) of this title.

* * * * *

§ 8339. Computation of annuity

* * * * *

(b) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is computed under subsection (a) of this section, except, if he has had—

(1) at least 5 years' service as a Congressional employee or Member or any combination thereof; and

(2) deductions withheld from his pay or has made deposit covering his last 5 years of civilian service;

his annuity is computed, with respect to 【so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years】 his service as Congressional employee, his military service not exceeding 5 years, and any Member service, by multiplying 2½ percent of his average pay by the years of that service.

(c) The annuity of a Member, or former Member with title to Member annuity, retiring under this subchapter is computed under subsection (a) of this section, except, if he has had at least 5 years, service as a Member or Congressional employee or any combination thereof, his annuity is computed with respect to—

(1) his service as a Member and so much of his military service as is creditable for the purpose of this paragraph; and

(2) [so much of] his Congressional employee service [as does not exceed 15 years];

by multiplying $2\frac{1}{2}$ percent of his average pay by the years of that service.

* * * * *

(m) *In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter.*

§ 8340. Cost-of-living adjustment of annuities

* * * * *

(b) Each month the Commission shall determine the percent change in the price index. Effective the first day of the third month that begins after the price index change equals a rise of at least 3 percent for 3 consecutive months over the price index for the base month, each annuity payable from the Fund having a commencing date not later than that effective date shall be increased by *1 percent plus* the percent rise in the price index (calculated on the highest level of the price index during the 3 consecutive months) adjusted to the nearest $\frac{1}{10}$ of 1 percent.

* * * * *

§ 8348. Civil Service Retirement and Disability Fund

(a) There is a Civil Service Retirement and Disability Fund. The Fund—

(1) is appropriated for the payment of—

[(1)] (A) benefits as provided by this subchapter; and

[(2)] (B) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title[.]; and

(2) *is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Commission in connection with the administration of this chapter and other retirement and annuity statutes.*

* * * * *

[(f) The Commission shall submit estimates of the appropriations necessary to finance the Fund on a normal cost plus interest basis and to carry out this subchapter.

[(g) Money now or hereafter contained in the Fund may not be used to pay an increase in annuity benefits or a new annuity benefit under this subchapter or an earlier statute which is authorized by

amendment thereof until and unless an appropriation is made to the Fund in an amount which the Commission estimates to be sufficient to prevent an immediate increase in the unfunded accrued liability of the Fund.】

(f) *Any statute which authorizes—*

(1) *new or liberalized benefits payable from the Fund, including annuity increases other than under section 8340 of this title;*

(2) *extension of the coverage of this subchapter to new groups of employees; or*

(3) *increases in pay in which benefits are computed;*

is deemed to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in equal annual installments over the 30-year period beginning at the end of the fiscal year in which the statute is enacted, with interest computed at the rate used in the then most recent valuation of the Civil Service Retirement System and with the first payment thereof due as of the end of the fiscal year in which the statute is enacted.

(g) *At the end of each fiscal year, the Commission shall notify the Secretary of the Treasury of the amount equivalent to interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System. Before closing the accounts for each fiscal year, the Secretary shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of the amounts equivalent to interest on the unfunded liability: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund under this subsection.*

PROVISO UNDER THE HEADING “CIVIL SERVICE COMMISSION” AND UNDER THE SUBHEADING “PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABILITY FUND” IN TITLE I OF THE INDEPENDENT OFFICES APPROPRIATION ACT, 1962 (75 Stat. 345; Public Law 87-141)

PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABILITY FUND

For financing the annuity benefits and increases provided by the Act of June 25, 1958 (72 Stat. 218), \$44 637,000, to be credited to the civil service retirement and disability fund 【: *Provided*, That the Civil Service Commission shall include annually, in its estimates to the Bureau of the Budget, estimates of the appropriations necessary to reimburse the civil service retirement and disability fund for the amounts paid out of the fund by reason of the enactment of Public Law 85-465, and the Bureau of the Budget shall submit such estimates annually to the Congress】.

SUPPLEMENTAL VIEWS OF REPRESENTATIVE H.R. GROSS WITH RESPECT TO H.R. 9825

The proponents of H.R. 9825 proudly point to the retirement fund financing provisions in title I of the bill, but immediately ignore them by providing that none of the liberalizations provided in title II shall be subject to section 103(a)(2) which establishes that the Government shall pay the costs of every future increase in the unfunded liability of the retirement fund by equal annual appropriations over a 30-year period.

I raised this question during committee deliberations on the bill and it was agreed that this was exactly what H.R. 9825 does.

This simply means that in H.R. 9825, as now written, the Congress is asked to adopt a laudable principle providing authorization for appropriations to finance liabilities in the retirement fund created by future legislation; and at the same time Congress is asked to exempt from such principle the future liabilities created by the liberalizations contained in title II of this bill.

The following table shows the benefits contained in this legislation and the increase in unfunded liabilities created in the retirement fund which are not subject to the 30-year amortization financing provision of title I of the bill:

Benefit:	<i>Increase in unfunded liability (Million)</i>
High 3-year average-----	\$337
Sick leave credit-----	329.5
Survivor annuity-----	150
1 percent cost of living-----	243

In addition, the \$3.4 billion increase in the unfunded liability of the retirement fund, which will be created by the pay increase which becomes effective in July 1969, is not subject to the financing provisions of title I. This makes a total of \$4,459,500,000 of future increases in the unfunded liability of the retirement fund, which this legislation, as now written, exempts from the financing provisions of title I of the bill.

Accordingly, I wrote to the Director of the Bureau of the Budget, to inquire whether the administration supports the concept that the cost of the new liberalizations in this retirement bill, as well as the retirement cost of the July 1969 increase in Federal employees salaries should be excluded from the provisions of H.R. 9825 establishing that unfunded liabilities of the retirement fund created by future liberalizations should be funded over a 30-year period in equal annual appropriations.

The Bureau of the Budget has responded to my letter to the effect that the administration supports an amendment to H.R. 9825, which I shall offer, to amortize, under that provision of title I, the costs of future increases in retirement fund liabilities created by title II of this bill, plus the retirement costs of the pay raises which will be effective in July 1969.

In response to my letter Mr. Robert P. Mayo, Director of the Bureau of the Budget replied, on April 22, 1969, in part as follows:

"In your letter of April 17, 1969, you ask if the administration will support an amendment to H.R. 9825 when it is considered on the floor of the House of Representatives to the effect that the Government should pay the cost of every increase in unfunded liability created in the future, including the four liberalizations contained in H.R. 9825.

"This administration is thoroughly in accord with the objective of fiscal responsibility which your proposed amendment is intended to achieve."

SUPPLEMENTAL VIEWS OF CONGRESSMAN EDWARD J.
DERWINSKI ON H.R. 9825

The intention of this statement is to throw some light on certain provisions of H.R. 9825 which I believe need amplification. I did not oppose the bill in committee, casting my vote to bring this legislation to the House Floor for consideration.

First of all, I want to call attention to sections 202 and 203 of this bill under which retirement service credit will be allowed for the calendar value of unused sick leave of Federal employees. This is a departure from the basic concept that has governed the use of sick leave since its inception in the Federal system, and I hope each Member of the House is aware of the precedent established by this legislation.

The basis for sick leave under our system is to insure against the loss of income during periods of illness. All employees have the same right to draw upon sick leave if necessary, but nothing is owed the employee who enjoys good health and does not have to draw upon his reserve.

Proponents say that this provision in the bill will result in a lesser use of sick leave by employees, with a resultant saving to the Government.

This implies that the use of sick leave is being abused, or that we wish to encourage employees to come to work when they are sick.

If the former is true, then administrative action is suggested to curb the abuses. I would be surprised if Congress wishes to accomplish the latter.

Under Civil Service regulations, an agency shall grant sick leave to an employee when the employee—

(a) Receives medical, dental, or optical examination or treatment;

(b) Is incapacitated for the performance of duties by sickness, injury, or pregnancy and confinement;

(c) Is required to give care and attendance to a member of his immediate family who is afflicted with a contagious disease; or

(d) Would jeopardize the health of others by his presence at his post of duty because of exposure to a contagious disease.

If an employee takes sick leave for reasons *other* than those listed, he is abusing the privilege and violating the regulations. If we, through this legislation, encourage him to come to work under the conditions listed above, we are doing neither him nor his coworkers a favor.

I hope that the House will give careful consideration to the sick leave provisions in H.R. 9825 and will carefully weigh the consequences.

Section 203 of this legislation also removes the 15-year limitation in the formula for calculating annuities for Congressional employees.

Presently, the retirement annuity of these employees is determined by multiplying average salary times $2\frac{1}{2}$ percent times years of service up to 15 years. For service over 15 years, a lesser percentage is used.

There are a number of legitimate questions and a basic precedent involved here. I feel those Congressional employees we think of in the usual sense are most deserving of this change. These employees are on the staffs of Members or committees or joint committees whose careers are pretty much alined with a Member of Congress and under these circumstances are uncertain. However, there are other "Congressional Employees" by definition. These include the capitol police, employees of the Architect of the Capitol, and employees of the botanical garden. Extending this retirement privilege to all Hill employees should raise a question in our minds.

The precedent I refer to is an obvious one in that having extended the formula for annuities for congressional employees a demand will present itself for all Federal employees. In committee, proponents of this section stated flatly that they did not feel they were establishing a precedent and that the lack of tenure and the lack of fringe benefits affecting congressional employees was such that this favorable retirement provision was merely a delayed step toward general equality of benefits.

It is my hope that we will write a clear legislative recommendation on these points I have raised as well as other questions that may come up on the floor.



H. R. 9825

[Report No. 91-158]

IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 1969

Mr. DANIELS of New Jersey (for himself, Mr. DULSKI, Mr. HENDERSON, Mr. OLSEN, Mr. UDALL, Mr. NIX, Mr. HANLEY, Mr. CHARLES H. WILSON, Mr. Mr. WALDIE, Mr. WHITE, Mr. WILLIAM D. FORD, Mr. HAMILTON, Mr. BRASCO, Mr. TIERNAN, Mr. PURCELL, Mr. CORBETT, Mr. CUNNINGHAM, Mr. JOHNSON of Pennsylvania, Mr. BUTTON, Mr. SCOTT, Mr. McCLURE, Mr. MESKILL, Mr. LUKENS, Mr. HOGAN, and Mr. BUCHANAN) introduced the following bill; which was referred to the Committee on Post Office and Civil Service

APRIL 23, 1969

Committed to the Committee of the Whole House on the State of the Union
and ordered to be printed

A BILL

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 TITLE I—CIVIL SERVICE RETIREMENT

4 FINANCING

5 SEC. 101. Section 8331 of title 5, United States Code,
6 is amended—

7 (1) by striking out “and” at the end of paragraph

8 (15) ;

1 (2) by striking out the period at the end of para-
2 graph (16) and inserting a semicolon in lieu thereof;
3 and

4 (3) by adding immediately below paragraph (16)
5 the following new paragraphs:

6 “(17) ‘normal cost’ means the entry-age normal
7 cost computed by the Civil Service Commission in ac-
8 cordance with generally accepted actuarial practice and
9 expressed as a level percentage of aggregate basic pay;

10 “(18) ‘Fund balance’ means the sum of—

11 “(A) the investments of the Fund calculated
12 at par value; and

13 “(B) the cash balance of the Fund on the
14 books of the Treasury; and

15 “(19) ‘unfunded liability’ means the estimated ex-
16 cess of the present value of all benefits payable from
17 the Fund to employees and Members, and former em-
18 ployees and Members, subject to this subchapter, and to
19 their survivors, over the sum of—

20 “(A) the present value of deductions to be
21 withheld from the future basic pay of employees
22 and Members currently subject to this subchapter
23 and of future agency contributions to be made in
24 their behalf; plus

25 “(B) the present value of Government pay-

1 ments to the Fund under section 8348 (f) of this
2 title; plus

3 “(C) the Fund balance as of the date the un-
4 funded liability is determined.”.

5 SEC. 102. (a) Section 8334 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as follows:

8 “(a) (1) The employing agency shall deduct and with-
9 hold 7 percent of the basic pay of an employee and $7\frac{1}{2}$ per-
10 cent of the basic pay of a Congressional employee and a
11 Member. An equal amount shall be contributed from the
12 appropriation or fund used to pay the employee or, in the
13 case of an elected official, from an appropriation or fund
14 available for payment of other salaries of the same office or
15 establishment. When an employee in the legislative branch is
16 paid by the Clerk of the House of Representatives, the Clerk
17 may pay from the contingent fund of the House the contribu-
18 tion that otherwise would be contributed from the appropria-
19 tion or fund used to pay the employee.

20 “(2) The amounts so deducted and withheld, together
21 with the amounts so contributed, shall be deposited in the
22 Treasury of the United States to the credit of the Fund under
23 such procedures as the Comptroller General of the United
24 States may prescribe. Deposits made by an employee or

1 Member also shall be credited to the Fund.”; and

2 (2) by amending subsection (c) to read as follows:

3 “(c) Each employee or Member credited with civilian
4 service after July 31, 1920, for which retirement deduc-
5 tions or deposits have not been made, may deposit with
6 interest an amount equal to the following percentages of
7 his basic pay received for that service:

	“Percentage of basic pay	Service period
Employee---	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7-----	After December 31, 1969.
Member or employee for Congressional employee service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7½-----	After December 31, 1969.
Member for Member service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to August 1, 1946.
	6-----	August 2, 1946, to October 31, 1956.
	7½-----	After October 31, 1956.

8 Notwithstanding the foregoing provisions of this subsec-
9 tion, the deposit with respect to a period of service re-
10 ferred to in section 8332 (b) (6) of this title performed
11 before January 1, 1969, shall be an amount equal to 55
12 percent of a deposit computed in accordance with such
13 provisions.”.

1 (b) The amendment made by subsection (a) (1) of
2 this section shall become effective at the beginning of the
3 first applicable pay period beginning after December 31,
4 1969.

5 SEC. 103. (a) Section 8348 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as
8 follows:

9 “(a) There is a Civil Service Retirement and Disability
10 Fund. The Fund—

11 “(1) is appropriated for the payment of—

12 “(A) benefits as provided by this subchapter;

13 and

14 “(B) administrative expenses incurred by the
15 Civil Service Commission in placing in effect each
16 annuity adjustment granted under section 8340 of
17 this title; and

18 “(2) is made available, subject to such annual limi-
19 tation as the Congress may prescribe, for any expenses
20 incurred by the Commission in connection with the ad-
21 ministration of this chapter and other retirement and
22 annuity statutes.”; and

23 (2) by striking out subsections (f) and (g) and
24 inserting in lieu thereof:

1 “(f) Any statute which authorizes—

2 “(1) new or liberalized benefits payable from the
3 Fund, including annuity increases other than under sec-
4 tion 8340 of this title;

5 “(2) extension of the coverage of this subchapter
6 to new groups of employees; or

7 “(3) increases in pay on which benefits are com-
8 puted;

9 is deemed to authorize appropriations to the Fund to fi-
10 nance the unfunded liability created by that statute, in
11 equal annual installments over the 30-year period beginning
12 at the end of the fiscal year in which the statute is enacted,
13 with interest computed at the rate used in the then most re-
14 cent valuation of the Civil Service Retirement System and
15 with the first payment thereof due as of the end of the
16 fiscal year in which the statute is enacted.

17 “(g) At the end of each fiscal year, the Commission
18 shall notify the Secretary of the Treasury of the amount
19 equivalent to interest on the unfunded liability computed for
20 that year at the interest rate used in the then most recent
21 valuation of the System. Before closing the accounts for each
22 fiscal year, the Secretary shall credit to the Fund, as a Gov-
23 ernment contribution, out of any money in the Treasury of
24 the United States not otherwise appropriated, the following
25 percentages of the amounts equivalent to interest on the

1 unfunded liability: 10 percent for 1971; 20 percent for
2 1972; 30 percent for 1973; 40 percent for 1974; 50 percent
3 for 1975; 60 percent for 1976; 70 percent for 1977; 80
4 percent for 1978; 90 percent for 1979; and 100 percent for
5 1980 and for each fiscal year thereafter. The Commission
6 shall report to the President and to the Congress the sums
7 credited to the Fund under this subsection.”.

8 (b) (1) The provisions of subsection (g) of section
9 8348 of title 5, United States Code, as contained in the
10 amendment made by subsection (a) (2) of this section, shall
11 become effective at the beginning of the fiscal year which
12 ends on June 30, 1971.

13 (2) Paragraph (1) of this subsection shall not be held
14 or considered to continue in effect after the enactment of
15 this Act the provisions of section 8348 (g) of title 5, United
16 States Code, as in effect immediately prior to such enactment.

17 SEC. 104. Section 1308 (c) of title 5, United States
18 Code, is amended by striking out “on a normal cost plus
19 interest basis”.

20 SEC. 105. The proviso under the heading “CIVIL
21 SERVICE COMMISSION” and under the subheading
22 “PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABIL-
23 ITY FUND” in title I of the Independent Offices Appropria-
24 tion Act, 1962 (75 Stat. 345; Public Law 87-141), is
25 repealed.

1 TITLE II--CIVIL SERVICE RETIREMENT
2 BENEFITS

3 SEC. 201. Paragraph (4) (A) of section 8331 of title
4 5, United States Code, is amended by striking out “5 con-
5 secutive years” and inserting in lieu thereof “3 consecutive
6 years”.

7 SEC. 202. Subsection (g) of section 8334 of title 5,
8 United States Code, is amended—

9 (1) by striking out the word “or” at the end of
10 paragraph (3) ;

11 (2) by striking out the period at the end of
12 paragraph (4) and inserting in lieu thereof a semicolon
13 and the word “or”; and

14 (3) by adding the following new paragraph im-
15 mediately below paragraph (4) :

16 “(5) days of unused sick leave credited under sec-
17 tion 8339 (m) of this title.”.

18 SEC. 203. Section 8339 of title 5, United States Code,
19 is amended—

20 (1) by striking out of subsection (b) the words
21 “so much of his service as a Congressional employee and
22 his military service as does not exceed a total of 15
23 years” and inserting in lieu thereof “his service as a Con-
24 gressional employee, his military service not exceeding
25 5 years,”;

1 (2) by amending subsection (c) (2) to read as
2 follows:

3 “(2) his congressional employee service;” and
4 (3) by adding at the end thereof the following new
5 subsection:

6 “(m) In computing any annuity under subsections
7 (a)–(d) of this section, the total service of an employee
8 who retires on an immediate annuity or dies leaving a sur-
9 vivor or survivors entitled to annuity includes, without regard
10 to the limitations imposed by subsection (e) of this section,
11 the days of unused sick leave to his credit, except that these
12 days will not be counted in determining average pay or
13 annuity eligibility under this subchapter.”.

14 SEC. 204. Subsection (b) of section 8340 of title 5,
15 United States Code, is amended by inserting “1 percent
16 plus” immediately after the word “by”.

17 SEC. 205. The provisions of subsections (b) (1), (d)
18 (3), and (g) of section 8341 of title 5, United States Code,
19 also shall apply in the case of any widow or widower—

20 (1) of an employee who died, retired, or was
21 otherwise separated before July 18, 1966;

22 (2) who shall have remarried on or after such
23 date; and

24 (3) who, immediately before such remarriage, was

1 receiving annuity from the Civil Service Retirement
2 and Disability Fund;

3 except that no annuity shall be paid by reason of this
4 section for any period prior to the enactment of this sec-
5 tion. No annuity shall be terminated solely by reason of
6 the enactment of this section.

7 SEC. 206. (a) The amendments made by sections 201,
8 202, and 203 of this Act shall not apply in the cases of per-
9 sons retired or otherwise separated prior to the date of enact-
10 ment of this Act, and the rights of such persons and their
11 survivors shall continue in the same manner and to the same
12 extent as if such sections had not been enacted.

13 (b) The amendments made by section 204 of this Act
14 to section 8340 of title 5, United States Code, shall apply
15 only to determinations of amounts of annuity increases which
16 are made under such section 8340 after the date of enact-
17 ment of this Act.

91ST CONGRESS
1ST SESSION

H. R. 9825

[Report No. 91-158]

A BILL

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

By Mr. DANIELS of New Jersey, Mr. DULSKI, Mr. HENDERSON, Mr. OLSEN, Mr. UDALL, Mr. NIX, Mr. HANDLEY, Mr. CHARLES H. WILSON, Mr. WALDIE, Mr. WHITE, Mr. WILLIAM D. FORD, Mr. HAMILTON, Mr. BRASCO, Mr. TERNAN, Mr. PURCELL, Mr. CORBETT, Mr. CUNNINGHAM, Mr. JOHNSON of Pennsylvania, Mr. BUTTON, Mr. SCOTT, Mr. McCURE, Mr. MESKILL, Mr. LUKENS, Mr. HOGAN, and Mr. BUCHANAN

APRIL 2, 1969

Referred to the Committee on Post Office and Civil Service

APRIL 23, 1969

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

hiring and utilization of the minorities. pp. S4087-9.

12. PEACE CORPS. Received from the Peace Corps a proposed bill concerning the appropriation authorization of \$101.1 million for the Peace Corps in fiscal 1970, and amendment of the Peace Corps act to provide that Peace Corps volunteers be deemed Government employees for purposes of the Act of October 21, 1968, which authorizes the waiver of claims arising from erroneous payments to Government employees. p. S4117.
13. WILDLIFE. Sen. Cranston inserted a report which states there is "no evidence that any of the wildlife at San Miguel Island are showing harmful effects from the crude oil at this time." pp. S4083-4.
14. HUNGER. Sen. Hart called attention to Secretary Hardin's press release in which he stated, "It is unthinkable that hunger, protein deficiencies and other forms of malnutrition should be permitted to endanger the physical and mental development of children in this land of abundance," and stated the budget recommendations "did not propose to increase the amount provided for food for hungry people" and that "instead of adding funds to assure that all hungry children are fed, the budget shifts funds from one group of needy children to another group." p. S4080.
15. PESTICIDES. Sen. Nelson outlined "recent developments regarding pesticides and their effects on the environments, fish, birds, animals, and man," and advocated proposals to place sanctions on the use of DDT. pp. S4077-80.
16. WATER RESOURCES. Sen. Harris inserted an Oklahoma Legislature resolution asking for the reduction of the "now high interest rate" on federal monies utilized on water related projects." p. S4071.
17. GRAPES. Sen. Murphy inserted an article, "Grape Boycott in Delano Perpetrates a Hoax." pp. S4080-1.
18. AGING. Sen. Williams, N.J., stated that the retirement income problems of today require prompt national attention. pp. S4070-1.
19. ADJOURNED until Tues., Apr. 29. p. S4183.

HOUSE

20. PERSONNEL. The committee report on H. R. 9825, (see Digest 65) states that this bill would provide in full for the permanent financing of the civil service retirement system (involving an increase in deduction of the basic pay of an employee from 6½% to 7%), would use a high-3 (rather than high-5) for an annuity computation, and provide a limited measure of recompense for unused sick leave by increasing the total actual service performed by an employee by the length of service representative of the calendar value of his unused sick leave.

EXTENSION OF REMARKS

21. RECREATION. Rep. Rodino inserted a statement favoring the preservation of Sunfish Pond in the Tocks Island hydroelectric development proposal. pp. E3387-8.
22. EMPLOYMENT. Sen. Boggs inserted a prize-winning essay, "What Every Employer Should Know About the Handicapped." p. E3388.
23. OPINION POLL. Rep. Scott inserted the results of a questionnaire which includes items of interest to this Department. p. E3392.

BILLS INTRODUCED

24. RECREATION. S. 1944 by Sen. Packwood, S. 1947 by Sen. Hatfield with remarks of author p. S4121, to provide that the Secretary of the Interior, in consultation with the Governor of the State of Oregon, shall investigate and report to the Congress on the advisability of establishing a national park or other unit of the national park system in the central and northern parts of the Cascade Mountain region of the State of Oregon; to Interior and Insular Affairs Committee.
- S. 1962 by Sen. Mondale, to authorize the establishment of the Voyageurs National Park in the State of Minnesota; to Interior and Insular Affairs Committee.
25. TAXATION. S. 1942 by Sen. Cotton, to amend the Internal Revenue Code to encourage the construction of facilities to control water and air pollution by allowing a tax credit for expenditures incurred in constructing such facilities and by permitting the deductions, or amortization over a period of 1 to 5 years, of such expenditures; to Finance Committee. Remarks of author pp. S4119-20.
- S. 1965 by Sen. Tydings, to remit a share of Federal tax revenues to State and local governments, and to establish a Commission for Federalism to allot such revenues and to report on their use to the Congress; to Finance Committee. Remarks of author pp. S4132-6.
26. ORGANIZATION. S. 1952 by Sen. Bayh, to establish in the Executive Office of the President an independent agency to be known as the Office of Executive Management; to Government Operations Committee. Remarks of author pp. S4126-8.
27. WAGE BOARD. S. 1958 by Sen. Harris, to provide an equitable system for fixing and adjusting the rates of compensation of wage board employees; to Post Office and Civil Service Committee. Remarks of author pp. S4130-1.
28. MINERALS. S. 1966 by Sen. Percy, to provide for research into safer methods of mining and preparing coal; to Interior and Insular Affairs Committee.
29. MONOPOLIES. S. 1967 by Sen. Hart, to supplement the antitrust laws of the United States by providing for fair competitive practices in the termination of franchise agreements; to Judiciary Committee.

April 29, 1969

15. HUNGER. Sen. McGovern inserted an article, "A Young Mother's Story--Hunger Next Door." pp. S4274-5.
16. TRAILS. Sen. Nelson inserted an article, "Trails Act Inspired by Success of Appalachian Trail Conference." pp. S4281-2.
17. PESTICIDES. Sen. Nelson inserted a report on pesticides misuse (pp. S4303-6) and an article, "Wisconsin Is Site of Next Round in Fight to Ban DDT" (p. S4286).
18. ADJOURNED until Thurs., May 1. p. S4340.

HOUSE

19. SPECIAL MILK. The Rules Committee reported a resolution for consideration of H.R. 5554, to provide a special milk program for children. p. H3214.
20. RETIREMENT. The Rules Committee reported a resolution for consideration of H.R. 9825, to improve the financing and funding practices of the civil service retirement system, and the benefits structure relative to computation of retirement annuities, crediting of unused sick leave, etc. p. H3214.
21. SALINE WATER. Received from Interior a report regarding the progress and results obtained by the U.S. from participation in the desalting and electric power generating project off the coast of southern Calif., pursuant to Public Law 90-16; to Interior and Insular Affairs Committee.
22. POLLUTION. Rep. Philbin called for a massive, coordinated attack upon conditions contributing to the pollution of the Hashua River and urged its inclusion in the model river demonstration program. pp. H3209-10.
23. JOB CORPS. Rep. Podell called the elimination of 59 of the Nation's Job Corps centers an "unparalleled tragedy and another log heaved onto a smoldering pile of social problems." p. H3185.
24. CENSUS. Rep. Fuqua inserted a university professor's article explaining the purposes of the census questionnaires and how interdependence is a fact of life today, and that answering a few personal questions is a small price to pay for better functioning of our institutions. pp. H3181-3.

EXTENSION OF REMARKS

25. JOB CORPS. Sen. Church and several Representatives objected to the proposed closing of certain Job Corps centers and inserted articles on this subject. pp. E3452-3, E3470, E3473-4, E3474-5.
26. POLLUTION; GARBAGE DISPOSAL. Rep. Jones, Ala., inserted an article, "Garbage Disposal--A Growing Rural Problem." pp. E3455-6.
Rep. Hungate inserted an article on the problem of water pollution. p. E3487.

27. FARM LABOR. Rep. Tunney asked for favorable consideration of proposed legislation to extend the coverage of the National Labor Relations Act to Farmworkers. p. E3467.
28. POSTAL RATES. Rep. Lukens expressed support for the President's proposal to increase postal rates. p. E3467.
29. FARM PROGRAM. Rep. Schwengel inserted an article analyzing the Farm Bureau's proposed new farm program. pp. E3471-2.
30. CENSUS. Rep. Quie stated that certain census questions are necessary in estimating and planning programs, and urged his constituents to cooperate by filling out accurately and returning promptly their questionnaires. p. E3472.
31. FORESTRY. Rep. Don Fuqua inserted an address and a Fla. Legislature resolution acknowledging the importance of the "silver anniversary" cooperative field forestry program sponsored by the Seaboard Coast Line Railroad. pp. E3480-3.

BILLS INTRODUCED

32. LIBRARIES. H.R. 10666 by Rep. Brademas and H.R. 10667 by Rep. Podell, to establish a National Commission on Libraries and Information Science; to Education and Labor Committee.
33. JOB CORPS. H.Res. 381 by Rep. Ryan with remarks of author on pp. H3189-90, H.Res. 382 by Rep. Ryan and H.R. 383 by Rep. Ryan, to express the sense of the House regarding the shutdown of Job Corps installations before congressional authorization and appropriation actions; to Education and Labor Committee
34. CONTRACTS. S. 2007 by Sen. Proxmire, to amend chapter 137, title 10, U.S.C., to limit, and to provide more effective control over, the use of Government production equipment by private contractors under contracts entered into by the Department of Defense and certain other agencies; to Armed Services Committee. Remarks of author pp. S4212-3.
H.R. 10673 by Rep. Fraser, to promote health and safety in the building trades and construction industry in all Federal and federally financed or federally assisted construction projects; to Education and Labor Committee.
35. TAXATION. H.R. 10669 by Rep. Dingell, to amend the Internal Revenue Code, of 1954 to terminate the investment credit for all property except water pollution control facilities and air pollution control facilities; to Ways and Means Committee.
H.R. 10681 by Rep. Lukens, to amend the Internal Revenue Code of 1954 to allow an incentive tax credit for a part of the cost of constructing or otherwise providing facilities for the control of water or air pollution and to permit the amortization of such cost within a period of from 1 to 5 years; to Ways and Means Committee.

CONSIDERATION OF H.R. 9825

APRIL 29, 1969.—Referred to the House Calendar and ordered to be printed

Mr. DELANEY, from the Committee on Rules, submitted the following

REPORT

[To accompany H. Res. 380]

The Committee on Rules, having had under consideration House Resolution 380, report the same to the House with the recommendation that the resolution do pass.

○

House Calendar No. 32

91ST CONGRESS
1ST SESSION

H. RES. 380

[Report No. 91-179]

IN THE HOUSE OF REPRESENTATIVES

APRIL 29, 1969

Mr. DELANEY, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That upon the adoption of this resolution it
2 shall be in order to move that the House resolve itself into
3 the Committee of the Whole House on the State of the Union
4 for the consideration of the bill (H.R. 9825) to amend sub-
5 chapter III of chapter 83 of title 5, United States Code, relat-
6 ing to civil service retirement, and for other purposes, and all
7 points of order against section 103 of said bill are hereby
8 waived. After general debate, which shall be confined to the
9 bill and shall continue not to exceed two hours, to be equally
10 divided and controlled by the chairman and ranking minority
11 member of the Committee on Post Office and Civil Service,
12 the bill shall be read for amendment under the five-minute

1 rule. At the conclusion of the consideration of the bill for
 2 amendment, the Committee shall rise and report the bill to
 3 the House with such amendments as may have been adopted,
 4 and the previous question shall be considered as ordered on
 5 the bill and amendments thereto to final passage without
 6 intervening motion except one motion to recommit.

House Calendar No. 32

91ST CONGRESS
 1ST SESSION

H. RES. 380

[Report No. 91-179]

RESOLUTION

Providing for the consideration of the bill
 (H.R. 9825) to amend subchapter III of
 chapter 83 of title 5, United States Code, re-
 lating to civil service retirement, and for
 other purposes.

By Mr. DELANEY

APRIL 29, 1969

Referred to the House Calendar and ordered to be
 printed

91ST CONGRESS
1ST SESSION

S. 2326

IN THE SENATE OF THE UNITED STATES

JUNE 5, 1969

Mr. McGEE (by request) introduced the following bill; which was read twice
and referred to the Committee on Post Office and Civil Service

A BILL

To amend subchapter III of chapter 83 of title 5, United States
Code, relating to civil service retirement, and for other
purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 TITLE I--CIVIL SERVICE RETIREMENT

4 FINANCING

5 SEC. 101. Section 8331 of title 5, United States Code,
6 is amended—

7 (1) by striking out “and” at the end of paragraph

8 (15) ;

1 (2) by striking out the period at the end of para-
2 graph (16) and inserting a semicolon in lieu thereof;
3 and

4 (3) by adding immediately below paragraph (16)
5 the following new paragraphs:

6 “(17) ‘normal cost’ means the entry-age normal
7 cost computed by the Civil Service Commission in ac-
8 cordance with generally accepted actuarial practice and
9 expressed as a level percentage of aggregate basic pay;

10 “(18) ‘Fund balance’ means the sum of—

11 “(A) the investments of the Fund calculated
12 at par value; and

13 “(B) the cash balance of the Fund on the
14 books of the Treasury; and

15 “(19) ‘unfunded liability’ means the estimated ex-
16 cess of the present value of all benefits payable from
17 the Fund to employees and Members, and former em-
18 ployees and Members, subject to this subchapter, and to
19 their survivors, over the sum of—

20 “(A) the present value of deductions to be
21 withheld from the future basic pay of employees
22 and Members currently subject to this subchapter
23 and of future agency contributions to be made in
24 their behalf; plus

25 “(B) the present value of Government pay-

1 ments to the Fund under section 8348 (f) of this
2 title; plus

3 “(C) the Fund balance as of the date the un-
4 funded liability is determined.”.

5 SEC. 102. (a) Section 8334 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as follows:

8 “(a) (1) The employing agency shall deduct and with-
9 hold 7 percent of the basic pay of an employee and $7\frac{1}{2}$ per-
10 cent of the basic pay of a Congressional employee and a
11 Member. An equal amount shall be contributed from the
12 appropriation or fund used to pay the employee or, in the
13 case of an elected official, from an appropriation or fund
14 available for payment of other salaries of the same office or
15 establishment. When an employee in the legislative branch is
16 paid by the Clerk of the House of Representatives, the Clerk
17 may pay from the contingent fund of the House the contribu-
18 tion that otherwise would be contributed from the appropria-
19 tion or fund used to pay the employee.

20 “(2) The amounts so deducted and withheld, together
21 with the amounts so contributed, shall be deposited in the
22 Treasury of the United States to the credit of the Fund under
23 such procedures as the Comptroller General of the United
24 States may prescribe. Deposits made by an employee or

1 Member also shall be credited to the Fund.”; and

2 (2) by amending subsection (c) to read as follows:

3 “(c) Each employee or Member credited with civilian
4 service after July 31, 1920, for which retirement deduc-
5 tions or deposits have not been made, may deposit with
6 interest an amount equal to the following percentages of
7 his basic pay received for that service:

	“Percentage of basic pay	Service period
Employee---	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7-----	After December 31, 1969.
Member or employee for Congressional employee service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7½-----	After December 31, 1969.
Member for Member service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to August 1, 1946.
	6-----	August 2, 1946, to October 31, 1956.
	7½-----	After October 31, 1956.

8 Notwithstanding the foregoing provisions of this subsec-
9 tion, the deposit with respect to a period of service re-
10 ferred to in section 8332 (b) (6) of this title performed
11 before January 1, 1969, shall be an amount equal to 55
12 percent of a deposit computed in accordance with such
13 provisions.”.

1 (b) The amendment made by subsection (a) (1) of
2 this section shall become effective at the beginning of the
3 first applicable pay period beginning after December 31,
4 1969.

5 SEC. 103. (a) Section 8348 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as
8 follows:

9 “(a) There is a Civil Service Retirement and Disability
10 Fund. The Fund—

11 “(1) is appropriated for the payment of—

12 “(A) benefits as provided by this subchapter;

13 and

14 “(B) administrative expenses incurred by the
15 Civil Service Commission in placing in effect each
16 annuity adjustment granted under section 8340 of
17 this title; and

18 “(2) is made available, subject to such annual limi-
19 tation as the Congress may prescribe, for any expenses
20 incurred by the Commission in connection with the ad-
21 ministration of this chapter and other retirement and
22 annuity statutes.”; and

23 (2) by striking out subsections (f) and (g) and
24 inserting in lieu thereof:

1 “(f) Any statute which authorizes—

2 “(1) new or liberalized benefits payable from the
3 Fund, including annuity increases other than under sec-
4 tion 8340 of this title;

5 “(2) extension of the coverage of this subchapter
6 to new groups of employees; or

7 “(3) increases in pay on which benefits are com-
8 puted;

9 is deemed to authorize appropriations to the Fund to fi-
10 nance the unfunded liability created by that statute, in
11 equal annual installments over the 30-year period beginning
12 at the end of the fiscal year in which the statute is enacted,
13 with interest computed at the rate used in the then most re-
14 cent valuation of the Civil Service Retirement System and
15 with the first payment thereof due as of the end of the
16 fiscal year in which the statute is enacted.

17 “(g) At the end of each fiscal year, the Commission
18 shall notify the Secretary of the Treasury of the amount
19 equivalent to interest on the unfunded liability computed for
20 that year at the interest rate used in the then most recent
21 valuation of the System. Before closing the accounts for each
22 fiscal year, the Secretary shall credit to the Fund, as a Gov-
23 ernment contribution, out of any money in the Treasury of
24 the United States not otherwise appropriated, the following
25 percentages of the amounts equivalent to interest on the

1 unfunded liability: 10 percent for 1971; 20 percent for
2 1972; 30 percent for 1973; 40 percent for 1974; 50 percent
3 for 1975; 60 percent for 1976; 70 percent for 1977; 80
4 percent for 1978; 90 percent for 1979; and 100 percent for
5 1980 and for each fiscal year thereafter. The Commission
6 shall report to the President and to the Congress the sums
7 credited to the Fund under this subsection.”.

8 (b) (1) The provisions of subsection (g) of section
9 8348 of title 5, United States Code, as contained in the
10 amendment made by subsection (a) (2) of this section, shall
11 become effective at the beginning of the fiscal year which
12 ends on June 30, 1971.

13 (2) Paragraph (1) of this subsection shall not be held
14 or considered to continue in effect after the enactment of
15 this Act the provisions of section 8348 (g) of title 5, United
16 States Code, as in effect immediately prior to such enactment.

17 SEC. 104. Section 1308 (c) of title 5, United States
18 Code, is amended by striking out “on a normal cost plus
19 interest basis”.

20 SEC. 105. The proviso under the heading “CIVIL
21 SERVICE COMMISSION” and under the subheading
22 “PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABIL-
23 ITY FUND” in title I of the Independent Offices Appropria-
24 tion Act, 1962 (75 Stat. 345; Public Law 87-141), is
25 repealed.

1 TITLE II—CIVIL SERVICE RETIREMENT

2 BENEFITS

3 SEC. 201. Paragraph (4) (A) of section 8331 of title
4 5, United States Code, is amended by striking out “5 con-
5 secutive years” and inserting in lieu thereof “3 consecutive
6 years”.

7 SEC. 202. Subsection (g) of section 8334 of title 5,
8 United States Code, is amended—

9 (1) by striking out the word “or” at the end of
10 paragraph (3) ;

11 (2) by striking out the period at the end of
12 paragraph (4) and inserting in lieu thereof a semicolon
13 and the word “or”; and

14 (3) by adding the following new paragraph im-
15 mediately below paragraph (4) :

16 “(5) days of unused sick leave credited under sec-
17 tion 8339 (m) of this title.”.

18 SEC. 203. Section 8339 of title 5, United States Code,
19 is amended—

20 (1) by striking out of subsection (b) the words
21 “so much of his service as a Congressional employee and
22 his military service as does not exceed a total of 15
23 years” and inserting in lieu thereof “his service as a Con-
24 gressional employee, his military service not exceeding
25 5 years,”;

(2) by amending subsection (c) (2) to read as follows:

“(2) his congressional employee service;”; and

(3) by adding at the end thereof the following new subsection:

“(m) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter.”.

SEC. 204. Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting “1 percent plus” immediately after the word “by”.

SEC. 205. The provisions of subsections (b) (1), (d) (3), and (g) of section 8341 of title 5, United States Code, also shall apply in the case of any widow or widower—

(1) of an employee who died, retired, or was otherwise separated before July 18, 1966;

(2) who shall have remarried on or after such date; and

(3) who, immediately before such remarriage, was

1 receiving annuity from the Civil Service Retirement
2 and Disability Fund;

3 except that no annuity shall be paid by reason of this
4 section for any period prior to the enactment of this sec-
5 tion. No annuity shall be terminated solely by reason of
6 the enactment of this section.

7 SEC. 206. (a) The amendments made by sections 201,
8 202, and 203 of this Act shall not apply in the cases of per-
9 sons retired or otherwise separated prior to the date of enact-
10 ment of this Act, and the rights of such persons and their
11 survivors shall continue in the same manner and to the same
12 extent as if such sections had not been enacted.

13 (b) The amendments made by section 204 of this Act
14 to section 8340 of title 5, United States Code, shall apply
15 only to determinations of amounts of annuity increases which
16 are made under such section 8340 after the date of enact-
17 ment of this Act.

A BILL

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

By Mr. McGEE

JUNE 5, 1969

Read twice and referred to the Committee on Post
Office and Civil Service

have purchased their own picnic tables and chairs to carry along so that they won't have to pay the Camp fee. Now you know what this means: Every car-turn-off place and stream in the entire West will be littered and polluted until it will be impossible to clean up.

Perhaps the Government feels it cannot afford to build and maintain more Parks and camp sites . . . but, can it afford not to, when in these times it is so important for city-stressed people to be able to get out and away for a weekend, or even a Sunday picnic? Does the Government REALLY want its citizens to vacation in their own country?

If those who actually use the Parks must be the ones to help pay for their upkeep, then, surely, the Golden Eagle Passport should be enough payment. Let those who demand more expensive facilities seek privately owned camps.

Let's build more and better camp and picnic areas for the increasing population, and PLEASE, not impose concessionaires, or more costly fees.

Sincerely yours,

Mr. and Mrs. CLARK AMOS.

Mr. MOSS. Mr. President, I announced some weeks ago that I would introduce a bill to extend the Golden Eagle passport. Since that time I have been working closely with the Senator from Washington (Mr. JACKSON) and the Senator from Idaho (Mr. CHURCH) and other members of the Senate Interior Committee in the preparation of such a bill. We have decided that the best approach is legislation which will provide for the continuation of the Golden Eagle passport beyond the date now set for its expiration—March 31, 1970. This is the measure I take pleasure in sponsoring today.

I realize that others have rushed in with Golden Eagle passport bills which make some changes in the program, but it is my opinion that a direct extension of the program as it now exists is the more realistic and comprehensive approach.

There is no doubt in my mind that the American people want to see this particular American Eagle kept alive. Since 1965, the passport has allowed the bearer and everyone riding with him in his private vehicle to enter any federally operated recreation area without paying the fees charged at any of these areas.

Although the passport idea was resisted to some extent when it was first inaugurated, it has more than proved itself in the past 5 years, and its popularity, in my part of the country at least, is substantial. It has been an "open sesame" to wider admittance and greater use of our Federal recreation areas for many American families, and I predict its use will soar as more and more people become aware of its low cost and convenience.

The first year the passport was in operation—fiscal year 1965—it brought in only \$663,000 in revenue to be deposited in the land and water conservation fund, and apportioned among the National Park Service, the Forest Service, and the Bureau of Sport Fisheries to acquire national outdoor recreation lands and waters, and for matching grants to the States to acquire and develop recreational areas and facilities.

In fiscal 1966, sale of Golden Eagle passports brought \$2,819,000; in fiscal 1967, \$3,795,000; in fiscal 1968, \$4,846,000 and in fiscal 1969, through April 30,

\$3,294,000, with the heaviest use months yet to come.

It is impossible to know how many people were admitted to our recreation areas under these passports, or how many used the camping grounds or other facilities, because the Golden Eagle is a family-type permit, and a car with one of them could contain as many as six or even more persons when it passed through the entrance gates and often does. We do know that the number of permits issued grew from only 90,000 in the first full year in which the permit was in effect to 692,000 in the last full year, fiscal 1968. In the first half of fiscal 1969, over 400,000 were issued.

I understand there has been some disappointment in the Department of the Interior because the amount of revenue generated from the passport has not lived up to projections. I suggest first that perhaps the projections were too ambitious, and second, that the figures I have just quoted indicate that the use of the passport, and the revenues from it will continue to grow—and grow substantially—if it is not terminated. Also, there are many people who would be more than willing to pay more—even \$10 or \$15 a year—for the privilege of buying one passport which would admit them to about 3,000 Federal recreational areas.

I have received many letters from people in Utah who explain far better than I am able to do so what the Golden Eagle passport means to them and their families. I ask unanimous consent to place excerpts from several typical letters in the RECORD.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

DEAR SENATOR MOSS: I have had the pleasure of using the Golden Eagle Passport since it came into existence. In fact I purchase three each year. One for each of our two children and their families and one for ourselves.

It has just come to my attention that Congress has silently, with very little notice and with lack of sufficient information to the majority of people affected, voted the pass discontinued as of April 1, 1970.

It is hard to understand when the program was expanding so rapidly in the direction in which it was originally intended, for the purchase of additional recreational land, having increased from 90,000 in 1965 to 692,000 in 1968, why the Golden Pass was made a scapegoat in such a manner and eliminated. * * * I remember the years before the Golden Pass when one could not even find a place to stop to eat a picnic lunch without being exploited by individuals who had been given concessions or the right to charge a fee just to stop for a short while. I feel there should have been more public notice of the final impending action against the Golden Eagle Pass so that residents who favor it could have brought favorable pressure to bear. * * *

A. E. GARNER.

NORTH OGDEN, UTAH.

DEAR SENATOR MOSS: I have purchased the Golden Eagle Passport each year since its inception and I'm sure that millions of others have done likewise. I think that this in itself indicates that the American people are concerned about their National Park Service and are willing to support its growth and improvement. I believe that the abolishment of this passport is a rebuttal of the

faith of the American people.

Let's keep our Forest Service Rangers and other essential personnel in these parks and if we need more, let's get more. I'm sure that most citizens that use the parks would be more than glad to pay an additional one or two dollars for their passports if the increase is justified.

Sincerely yours,

DONALD R. BROOKS.

SALT LAKE CITY, UTAH.

DEAN SENATOR MOSS: In regard to the Golden Eagle Program, we feel at this time we would like to express our interest in keeping the Golden Eagle Passport in force, and would appreciate anything you could do. * * * We are a couple of travelling people. We have supported the Golden Eagle from the beginning.

We, and all our friends, would be willing to pay more than \$7. In fact, we have heard that it will probably be impossible to go camping, because the costs will be prohibitive if the Government allows private enterprise to take over.

Sincerely yours,

VELMA and EARL JOHNSON.

SALT LAKE CITY, UTAH.

DEAR SENATOR MOSS: It has come to my attention that the Golden Eagle Pass will go out of existence next year, according to a law passed by our present Congress * * *

We have been a trailering family for six years now and belong to a small trailer club. We use these Federal parks at least once a month during the summer months, and really enjoy them. We also spend a two-week vacation this way each year. And really, I think the Golden Eagle Pass is the thing for this type of vacation. Where otherwise we could not afford two weeks away from home * * *

We wish to thank you for any help you may give us toward the repeal of this recent law passed by Congress which would eliminate the Golden Eagle Pass. Even a raise in price to \$10 would not be out of line at this time.

Yours truly,

LEONARD L. ROSS.

OGDEN, UTAH.

DEAR SENATOR MOSS: Much to my disappointment and surprise I find that "The Golden Eagle Passport" has been silently shot down while our backs were turned. The article that I read indicated that it may be too late to submit a protest, but I am surely going to appeal to you personally to use your influence to discourage this action if at all possible.

This has done more for outdoor people like myself than anything that has ever happened in the past in the way of encouraging people to spend more time in the great outdoors.

The facilities that have been provided for us through this program have been absolutely fabulous. We need more of them and I think that the Golden Eagle Passport will get them for us.

Please don't let them discontinue this program.

Sincerely,

FLOYD YATES.

MAGNA, UTAH.

DEAR SENATOR MOSS: This letter is written in protest of the manner in which the Golden Eagle Passport was voted out of existence as of 1 April 1970. I am an ardent recreational vehicle enthusiast and outdoorsman and subscribe to numerous hunting and fishing periodicals, trailer and camper magazines and it was not until recently that I became aware that the Golden Eagle Passport was no more. Apparently no one can offer a reasonable explanation except that certain groups silently and "sneakily" pressured

their Congressman to vote the passport out. * * *

The Golden Eagle Passport was probably the greatest single piece of assistance the Federal Government ever gave to vacationing families, hunters, fishermen and all those who love the outdoors. No recreational boom in history compares with the current interest in camping. It is estimated that 50 million Americans will indulge during 1969. * * *

It is absolutely essential that a national camping program provide more education to our urban population in the care and use of our wonderful natural environment.

This plan should provide for the enlargement of regional vacation areas, with more surrounding state parks, private campgrounds and resorts to serve the ever rising tide of recreational travelers. Certainly local communities have a great responsibility to relieve the intolerable pressure on national and state parks. * * *

May we respectfully ask that you indicate to us what your feelings are in this regard and advise what you intend to do now and in the future.

Very truly yours,

(Signed by some 80 Utahans).

Mr. MOSS. Among those who would be most seriously hurt if the Golden Eagle passport is not continued are older people who have retired. Many of them have saved for years to buy trailers and camping equipment so they might see as many of America's national parks and monuments and forests and other recreational areas as possible, and if they have to pay separate entrance fees to each one of them, they simply cannot afford to go.

I also ask unanimous consent to place excerpts from several letters in the RECORD which explain how people already retired—or soon to retire—feel.

There being no objection, the excerpts were ordered to be printed in the RECORD, as follows:

DEAR SENATOR MOSS: We want to add our voices to the thousands of others who are protesting the cancellation of the Golden Eagle Passport to our National Parks and Recreation Areas. * * *

It makes one lost what little faith there was left in the fairness of our government.

We have paid taxes all of our lives and we think the Golden Eagle is the fairest thing ever, especially for retired people and others of moderate means. We have purchased one every year and with its help we have managed to see a little bit of 45 of the 50 states. By the time of retirement from U.S. Forest Service work, we had managed to acquire a comfortable camper outfit, and hoped to be able to see all we could of our beautiful outdoors. Now with the elimination of the Passport it looks doubtful.

Even if we have to pay more for the Golden Eagle, at least we would know what to expect. * * *

Please, Senator Moss, use whatever influence you have to either renew or replace with a pass equally fair, before the Golden Eagle Passport expires.

Thank you,

Mr. and Mrs. E. L. BROWN.
SALT LAKE CITY, UTAH.

DEAR SENATOR MOSS: Again I am writing you concerning the Golden Eagle Pass. It has come to my attention that the present Congress has voted the pass out of existence and I want to strongly protest this unfair action. * * *

My husband and I plan to retire in three years and have long looked forward to the time when we could travel and see this beloved country of ours, with the convenience of our travel trailer. Being able to spend some

time in our National Forests is a cherished dream which we certainly cannot afford on retirement pay if we have to pay unreasonable prices to park our trailer. * * *

Thank you very much,

Mr. and Mrs. WESLEY H. MOORE.

CLEARFIELD, UTAH.

Mr. MOSS. Mr. President, an excellent case can be made for continuing the Golden Eagle passport beyond the expiration date of May 31, 1970, and we are taking the first step here today in the introduction of the bill which is sponsored by the Senator from Washington, the Senator from Idaho, and myself. The next step will be hearings in the Senate Interior and Insular Affairs Committee, and I am confident they will be scheduled at an early date.

S. 2324—INTRODUCTION OF A BILL TO REPEAL THE REPORTING REQUIREMENT CONTAINED IN SUBSECTION (b) OF SECTION 1308, RELATING TO THE GOVERNMENT EMPLOYEES TRAINING ACT OF 1958

Mr. McGEE. Mr. President, I introduce, for appropriate reference, a bill to repeal subsection (b) of section 1308 of title 5, United States Code, which requires that the Civil Service Commission report annually to the President for physical transmittal to Congress a report of those employees who, during a designated fiscal year, participated in training in non-Governmental facilities in courses that were over 120 days in duration and those employees who received awards or contributions incident to training in non-Government facilities.

A summary of the information contained in these forms is also included in the annual report of the Civil Service entitled "Report on Agency Training Activities." The repeal of this subsection will not eliminate the necessity for each agency to report to the Civil Service Commission, but would eliminate the necessity of the preparation of a report transmitting the forms to the President and the Congress.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2324) to amend title 5, United States Code, to repeal the reporting requirement contained in subsection (b) of section 1308, relating to the Government Employees Training Act of 1958, introduced by Mr. McGEE (by request), was received, read twice by its title, and referred to the Committee on Post Office and Civil Service.

S. 2325—INTRODUCTION OF A BILL TO PROVIDE FOR ADDITIONAL SUPERGRADES IN THE CLASSIFIED CIVIL SERVICE

Mr. McGEE. Mr. President, I introduce, for appropriate reference, a bill to amend title 5 to provide for additional supergrades in the classified civil service.

This legislation was submitted to the Senate by the chairman of the U.S. Civil Service Commission on behalf of the administration. It provides for additional supergrades to be administered by the

Civil Service Commission and for special allotments to the Federal Bureau of Investigation, the General Accounting Office, the Library of Congress, and the National Security Agency.

Earlier this year legislation was introduced to provide a special allotment of supergrades for certain officers of the Smithsonian Institution. I anticipate that early hearings can be scheduled on this legislation.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2325) to amend title 5, United States Code, to provide for additional positions in grades GS-16, 17, and 18, introduced by Mr. McGEE (by request), was received, read twice by its title, and referred to the Committee on Post Office and Civil Service.

S. 2326—INTRODUCTION OF A BILL RELATING TO CIVIL SERVICE RETIREMENT

Mr. McGEE. Mr. President, I introduce, for appropriate reference, a bill to amend title 5, United States Code, to revise the civil service retirement system.

This legislation is identical to the bill pending on the calendar of the House of Representatives at the present time, and I hope that early hearings can be scheduled so that enactment of significant reforms, particularly in regard to retirement benefits for Federal employees as well as improved financing for the retirement fund can be enacted before Congress adjourns this year.

The PRESIDING OFFICER. The bill will be received and appropriately referred.

The bill (S. 2326) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes, introduced by Mr. McGEE (by request), was received, read twice by its title and referred to the Committee on Post Office and Civil Service.

S. 2327—INTRODUCTION OF A BILL TO AUTHORIZE THE CONSTRUCTION OF EXTENSIONS OF THE AMERICAN CANAL AT EL PASO, TEX.

Mr. YARBOROUGH. Mr. President, I introduce a bill for myself and my colleague (Mr. Tower) to authorize construction of extensions of the American Canal at El Paso, Tex. This irrigation canal replacement is requested to complete the series of public facility projects in El Paso contemplated as a part of the boundary relocation involved in the settlement of the Chamizal dispute with Mexico.

Enactment of this bill will allow construction of a new American-Franklin Canal some 13 miles long, of a size to assure U.S. water users their share of the Rio Grande water allocation to them by the United States-Mexican Treaty of 1906. Part of the proposed new canal is being constructed as a necessary part of the Chamizal boundary relocation; this bill authorizes construction of the remaining needed sections.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued July 24, 1969
For actions of July 23, 1969
91st 1st No. 123

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HIGHLIGHTS: House passed civil service retirement financing and benefits bill.
Rep. Mahon inserted President's statement upon signing second supplemental
appropriation bill. House subcommittee approved bill to increase Tulelake area
wheat allotments.

SENATE

1. NUTRITION. The "Daily Digest" states the Rules and Administration Committee "approved (1) contract between the Select Committee on Nutrition and Human Needs and the Social Development Corp. (not to exceed \$49,500 through September 15, 1969)." p. D660

Sen. Pell inserted an editorial, "Fish Flour" discussing foods from the sea as a means for improving the nutritional condition of the country. pp. S8493-4

Sen. McGovern inserted two poems on "Hunger" and Priorities." pp. S8456-7

2. RECREATION. Both Houses received from the Federal Power Commission a publication, "Recreational Opportunities at Hydroelectric Projects Licensed by the Federal Power Commission." pp. S8428, H6265

Sen. Moss discussed the recreational values of dams and inserted an article, "Rafting the Rapids." pp. S8450-1

3. FOREIGN AID. Received from the State Department a proposed bill to amend the Foreign Assistance Act of 1969; to the Foreign Relations Committee. p. S8428

4. POVERTY. Received from GAO a report on the effectiveness and administration of the Atterbury Job Corps Center for Men under the Economic Opportunity Act of 1964, Edinburg, Ind., Office of Economic Opportunity. p. S8428

5. TAXATION. Several Senators discussed tax reform. pp. S8434, S8456, S8458-9, S8459-60, S8465-71

6. FOREIGN TRADE. Sen. Mansfield commended the administration's decision to end partially the secondary boycott on Chinese goods as it applies to American citizens traveling abroad. p. S8435

7. DAIRY IMPORTS. Sen. McGovern criticized Treasury's "failure" to impose certain duties on imported dairy products and stated that "unless expeditious action is taken by the administration to impose the required countervailing duties" Congress should consider "a probe into the Treasury's failure to impose countervailing duties on dairy products; and, second legislation to create stronger import control laws." p. S8464

HOUSE

8. PERSONNEL; RETIREMENT. Passed, 358-48, with amendment H. R. 9825, the civil service retirement financing and benefits bill (pp. H6204-36). Rejected an amendment by Rep. Gross, 64-147, to delete title II of the bill (civil service retirement benefits) (pp. H6228-32). Rejected, 129-358, a motion by Rep. Derwinski to recommit the bill with instructions to report it back with certain amendments including one to omit the provision for the use of the high 3 years in computing retirement benefits (pp. H6235-36). See Digest 67 for other provisions.

"(d) Section 1902 of the Social Security Act is amended by adding at the end thereof the following new subsection:

"(d) Whenever any State desires a modification of the State plan for medical assistance so as to reduce the scope or extent of the care and services provided as medical assistance under such plan, or to terminate any of such care and services, the Secretary shall, upon application of the State, approve any such modification if the Governor of such State certifies to the Secretary that—

"(1) the average quarterly amount of non-Federal funds expended in providing medical assistance under the plan for any consecutive four-quarter period after the quarter in which such modification takes effect will not be less than the average quarterly amount of such funds expended in providing such assistance for the four-quarter period which immediately precedes the quarter in which such modification is to become effective,

"(2) the State is fully complying with the provisions of its State plan (relating to control of utilization and costs of services) which are included therein pursuant to the requirements of subsection (a) (30), and

"(3) the modification is not made for the purpose of increasing the standard or other formula for determining payments for those types of care or services which, after such modification, are provided under the State plan,

and if the Secretary finds that the State is complying with the provisions of its State plan referred to in clause (2); except that nothing in this subsection shall be construed to authorize any modification in the State plan of any State which would terminate the care or services required to be included pursuant to subsection (a) (13). Any increase in the formula or other standard for determining payments for those types of care or services which, after such modification, are provided under the State plan shall be made only after approval thereof by the Secretary."

The SPEAKER. Is there objection to the request of the gentleman from Arkansas (Mr. MILLS)?

Mr. BYRNES of Wisconsin. Mr. Speaker, reserving the right to object, I do not intend to continue the objection except for the purpose of asking the gentleman from Arkansas to make an explanation of the Senate amendment, and then be able to answer any inquiries that other Members of the House may have with respect to the amendment to the legislation, and I yield to the gentleman from Arkansas.

Mr. MILLS. I thank the gentleman for yielding.

Mr. Speaker, the provisions of H.R. 5833 as it passed the House were not changed in any way. The Senate amended the bill by adding three amendments to title XIX of the Social Security Act which provides grants to the States for medical assistance programs.

The first of these amendments would suspend the application of section 1903(e) of the act which requires the States to have in operation comprehensive medical assistance programs by July 1, 1975. Under the Senate amendment, this provision would be suspended in application until July 1, 1971. This means that the States would not be required to take any action pursuant to the requirements of section 1903(e) prior to that time. In addition, the Senate amendment would postpone the date when the comprehensive care requirement would finally apply from July 1, 1975, until July 1, 1977.

Mr. Speaker, section 1903(e) has been of concern to many States in considering whether or not they should establish a medical assistance program. There has been some question since this provision was enacted as to just what it requires of the States.

The amendment adopted by the Senate provides an opportunity for the Congress to further consider the type of requirement of this nature which should be in the law and if necessary to modify the requirement, to take into account the experiences that have been gained so far under the medical assistance program.

The second Senate amendment relates to section 1902(c) of the Social Security Act. This amendment is more in the nature of a clarification of original Congressional intent than a modification of the provisions of the section.

Section 1920(c) of the law states that the Secretary of Health, Education, and Welfare shall not approve a State program for medical assistance if he determines that the plan will result in a reduction in aid or assistance provided for individuals on public assistance prior to the adoption of the State's title XIX plan. The Department of Health, Education, and Welfare has interpreted this section to mean that a State could not adopt a title XIX program providing less in the way of medical benefits for public assistance recipients than were provided prior to that time in the form of medical vendor payments for any cash assistance recipients. This was not the intention of section 1902(c). As spelled out in the 1965 House and Senate committee reports on this legislation, the intention of this section of the law was to prohibit the States from reducing cash payments to public assistance recipients at the time they adopted their title XIX plans, and diverting the funds to pay for medical care.

This intention was clearly stated in the following language from the House Report on the 1965 amendments:

In addition, the Secretary is directed not to approve any State plan for medical assistance if he finds that the approval and operation of the plan will result in a reduction in the level of aid or assistance provided for eligible individuals under title I, IV, X, XIV, or XVI. An exception is provided allowing States to reduce such aid to the extent that assistance now provided under titles I, IV, IX, XIV, and XVI is to be provided under title XIX. The reason your committee recommends the inclusion of this provision is to make certain that States do not divert funds from the provision of basic maintenance to the provision of medical care. If the Secretary should find that his approval of a title XIX plan would result in a reduction of aid or assistance for persons receiving basic maintenance under the public assistance titles of the Social Security Act (except as specified above) he may not approve such a plan under title XIX. Your committee recognizes the need and urgency for States to maintain, if not improve, the level of basic maintenance provided for needy people under the public assistance programs. The provision is intended to prevent any unwarranted diversion of funds from basic maintenance to medical care.

The amendment adopted by the Senate clearly spells out this intention in section 1902(c) of the act.

The third amendment adopted by the Senate would add a new provision to title

XIX in the form of section 1902(d) which would require that whenever a State desires to reduce the scope or extent of care and services provided under its medical assistance plan, such modification must be obtained on the basis of an application submitted by the Governor of the State and approved by the Secretary of Health, Education, and Welfare. In such cases, the Governor of the State would be required to certify with respect to three important matters.

First, he would have to certify that the amount of funds expended in providing medical assistance from State and local sources in the year after such modification takes effect is not less than the amount of such funds expended in the year prior to the quarter in which such modification is to become effective.

Second, the Governor of such State must certify that the State is fully complying with the provisions of its State plan relating to control of utilization and costs of services. The Secretary of Health, Education, and Welfare would also be required to make a specific finding that the State is complying with its plan requirements concerning utilization and costs.

Third, the Governor must certify that the modification is not made for the purpose of increasing the standards for determining payment to doctors, nursing homes and other providers of services under the State plan. Provision is made in the amendment, however, that if there is a demonstrated need to increase the formula or standard for determining payments under a State plan after a modification has been adopted in the State's plan, such increases may be provided but they shall be made only after the approval of the Secretary of Health, Education, and Welfare has been obtained.

Mr. Speaker, these three amendments are very pertinent to the concern of Congress over the sharp and unanticipated increases in the cost of operating the medicaid program. They do not constitute a retrenchment in the medicaid program, but they will allow the States great freedom in determining the dimensions of their own programs in the light of their own individual needs and resources.

These amendments were adopted on the Senate floor without opposition. The first two of these amendments had earlier met with some opposition in the Senate and had held up action on the bill for a number of days. The third amendment which was added to the bill after it was reported out of the Finance Committee, however, along with a modification of the amendment to section 1903(e) gained complete support for the entire set of amendments from those Senators who had opposed the amendments as they had been reported.

I urge that the House accept the Senate amendments.

Mr. BURTON of California. Mr. Speaker, will the gentleman yield?

Mr. BYRNES of Wisconsin. I yield to the gentleman from California.

Mr. BURTON of California. Mr. Speaker, I had intended to reserve my right to object, so I could make a few points with reference to the pending matter, but I will accept the time yielded

to me by the gentleman from Wisconsin to achieve the same objective.

Title XIX, when enacted, provided a meaningful hope for the American people that comprehensive medical care would someday soon become reality. Also of importance, it provided a mechanism to obtain meaningful data for all of us to weigh when we consider to what extent we should move ahead to provide comprehensive medical care under the social security mechanism.

I must respectfully completely disagree with the view of our very distinguished chairman of the Committee on Ways and Means with reference to the second amendment relating to section 1902(c). The amendment before us will not be a clarification of the original intent of Congress with respect to the States being required to maintain not only their level of cash benefits, but, more importantly in the health field, the level of health services provided to public assistance recipients.

The fact of the matter is that when title XIX was approved there was the dual requirement on the States to maintain effort both on the cash side as well as on the health side to public assistance recipients.

The modification proposed by the Senate eliminates the requirement that States must comply with meeting their preexisting level of health services in order for their title XIX plan to be adopted. This is a step backward in terms of the health care that we require the States to provide in order to receive Federal funding under title XIX. Its significance is not so much today as it will become if we are ever to reach the triggering date of 1975 wherein State plans were supposed to be comprehensive in terms of providing health services.

So we have here two interrelated amendments. I do not like, but understand, the background that led up to the other amendment providing a delay for 2 years, from 1975 to 1977, to give the States further time to comply with the requirement in the law that there be comprehensive medical care and services.

If this matter were subject to a rollcall, I would vote against it. I believe the realities of the situation are that this is reasonably well considered, but nonetheless clearly a step backward in terms of our meeting the national objective to provide comprehensive medical care to the American people.

I would hope that we will not find ourselves in future sessions agreeing to further retrenchment and relaxation of the objectives to provide comprehensive medical care for the American people, at least through the mechanism provided under title XIX, by 1977.

I thank the distinguished gentleman from Wisconsin for yielding this portion of his time to me.

Mr. BYRNES of Wisconsin. Mr. Speaker, I withdraw my reservation.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

CIVIL SERVICE RETIREMENT FINANCING AND BENEFITS

Mr. DELANEY. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 380 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 380

Resolved, That upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 9825) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes, and all points of order against section 103 of said bill are hereby waived. After general debate, which shall be confined to the bill and shall continue not to exceed two hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Post Office and Civil Service, the bill shall be read for amendment under the five-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted, and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

The SPEAKER. The gentleman from New York is recognized for 1 hour.

Mr. DELANEY. Mr. Speaker, I yield 30 minutes to the gentleman from Ohio (Mr. LATTA), pending which I yield myself such time as I may consume.

Mr. Speaker, the purpose of this bill is to save the civil service retirement fund. If it were to drift the way it has been going, by 1975 the outgo would exceed the income.

This legislation is long overdue.

The rule provides the waiving of points of order on section 103, an open rule with 2 hours of general debate.

The purpose of the bill is to improve the financing and funding practices of the civil service retirement system so as to maintain its soundness and to assure that the necessary moneys are available when needed to pay the annuities of our Government retirees and survivors' annuities in the full amount.

It is also the purpose of this legislation to provide certain limited but needed improvements in the benefit structures of the system within the limits of the new financing approach.

The waiver of points of order, of course, is a restriction of the power to report appropriations. There are two sections which I will refer to of this bill. The first section is on page 5 of H.R. 9825, beginning on line 9, where it is stated that the civil service retirement and disability fund is appropriated for the payment of benefits and administrative expenses and is made available subject to the annual limitation by the Congress for the expenses incurred in connection with the administration of the retirement and annuity statutes. Then further on, on page 6, beginning at line 17, a new subsection of section 8348 requires the Secretary of the Treasury to credit annually the civil service retirement and disability fund as a Government contribution in an amount of

money equal to a specific percentage of the amount of interest on the unfunded liability of the fund.

It is clear, therefore, that this waiver is necessary on section 103 so that the heart of the bill not be destroyed by a point of order.

Mr. Speaker, a great deal of study has been put into the revision of this retirement fund. It has been put off year after year until now we are down to a point where we are near a crisis. The bill has been covered in the committee hearings and will be covered on all points during debate. It is long overdue, and I urge adoption of this rule so that we can get to the consideration of the bill.

Mr. HALL. Mr. Speaker, will the gentleman yield?

Mr. DELANEY. I am glad to yield to the gentleman from Missouri.

Mr. HALL. Did I understand the gentleman to state in his preliminary remarks that the waiver of points of order also applied to section 102?

Mr. DELANEY. No. Section 103.

Mr. HALL. I thank the gentleman for that clarification. I obviously misunderstood him. I listened with unusual attention to his subsequent explanation of the waiver of points of order pertaining to section 103. I disapprove heartily of a waiver of points of order even under such a circumstance. I think the individually elected Members should not be precluded from their elected responsibilities by even the distinguished Committee on Rules waiving such points of order, but in line with the new policy of the Committee on Rules wherein the distinguished gentleman from New York has explained on a line-by-line basis everything within the bill applicable thereto, I, for one, wish to state that I appreciate this method. I recognize the inevitable in House Resolution 380, and compliment the gentleman.

Mr. Speaker, I appreciate the gentleman yielding to me.

Mr. DELANEY. I thank the gentleman.

I yield back the balance of my time.

Mr. LATTA. Mr. Speaker, I yield myself such time as I may consume.

(Mr. LATTA asked and was given permission to revise and extend his remarks.)

Mr. LATTA. Mr. Speaker, the main purpose of the bill is to increase the current funding provisions of the retirement system to assure that the necessary money will be available to pay beneficiaries. The bill also improves some of the benefits now existing.

The retirement fund is in trouble unless something is done. While Federal employees have fully met their share of the cost, the Government has not met its obligations. By the end of the fiscal year the deficiency of the fund will amount to about \$57,700,000,000 in unfunded future obligations. By 1975, as fund disbursements exceed income paid in annually, a serious problem will arise. It is estimated that by 1987 the current \$20,500,000,000 fund will be exhausted. To forestall such a result, the unfunded liability, resulting from the Government's arrears in making payments to the fund must be reduced and finally eliminated.

The bill will increase the employee-employer contribution from 6½ percent each to 7 percent. Congressional employees will have their contribution rate increased to 7½ percent, the same as Members. These increases become effective in January 1970.

The existing unfunded liability is to be eliminated over a 30-year period by payment of annual installments by the Government. Permanent appropriating authority language is contained in the bill. Beginning in 1971 payments will begin from the Treasury to reduce the unfunded liability now existing and the interest thereon. The committee believes this system of payments will insure a sound, healthy retirement system for civil service employees.

Title II of the bill improves several of the benefits now available. These are more than covered by the increase in contributions.

First, the current formula for arriving at a retiree's annuity is modified. Now, it is based on a high 5-year average. This has caused some to remain on the job longer than they should. The new base period will be a high 3-year average.

For congressional employees the 15-year period upon which to apply the year average rate is removed.

Unused sick leave is recompensed by increasing the total actual work service credited to an employee by the length of service represented by the calendar value of his unused sick leave. One calendar month will be added for each 22 days of unused leave.

The cost-of-living automatic increase for annuitants is increased by adding 1 percent to all such future increases.

It is estimated that the 1-percent increase in contributions will increase fund income to \$220,000,000 per year, which covers both normal costs and the benefits increased by the bill. It is also estimated that by 1980 the amount to be transferred by the Treasury to the fund to cover the interest on the unfunded liability will be about \$2,700,000,000 annually. This figure is to be reached in 10-percent increments during the 1970's until full annual funding is achieved in 1980.

The administration supports the bill.

A waiver of points of order is needed for two sections of the bill as in two places appropriation language is provided for the Government-funding provisions. These occurs on page 5, lines 18 to 22, and page 6, lines 17 to 25, and page 7, lines 1 to 7. Both of these sections violate rule XXI, clause 4, which prohibits appropriation language to be in a bill not reported by the Appropriations Committee.

Mr. Speaker, I yield 3 minutes to the gentleman from Iowa (Mr. GROSS).

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Speaker, I doubt that there is a Member of Congress, either in the House or the other body, who does not want to do something about the chaotic condition of the Government employees' retirement fund, but what has happened is that this bill has been converted into a Christmas tree with a lot of tinsel and ornaments—something for

everybody—especially the Members of Congress.

I propose to make a further statement under general debate, but I would like at this point to read a letter which I received this morning from the Executive Office of the President, Bureau of the Budget:

DEAR MR. GROSS: This is in response to your letter of July 15, 1969, in which you asked whether the Bureau of the Budget would recommend to the President that he approve H.R. 9825 if it were enacted in its current form. Title I of H.R. 9825 would provide for full funding of the Civil Service retirement system and Title II would provide a number of benefit liberalizations.

In our letter of March 16, 1969, to the Chairman of the House Post Office and Civil Service Committee, we stated that "retirement legislation enacted this year should be confined to improving the financing and funding of the retirement system. . . ." In addition, in our report of July 10 to the Chairman of the Senate Post Office and Civil Service Committee, we stated that enactment of the liberalizations contained in Title II would not be consistent with the Administration's objectives and that the Congress should limit its action this year to enactment of the Title I financing provisions.

We believe the Administration's position on H.R. 9825 is clear. Thus, in view of the legislative history, the Bureau of the Budget would have to seriously consider recommending to the President that he disapprove H.R. 9825 if it were passed by the Congress in its current form.

Sincerely,

ROBERT P. MAYO,
Director.

Mr. Speaker, let me repeat:

We believe the Administration's position on H.R. 9825 is clear. Thus, in view of the legislative history, the Bureau of the Budget would have to seriously consider recommending to the President that he disapprove H.R. 9825 if it were passed by the Congress in its current form.

Mr. Speaker, I propose at the proper time to offer an amendment to strike title II from the bill. In that event I can support it. I am not opposed to the rule for, as I said previously, we do something about the chaotic condition of the retirement fund, but that does not mean that to accomplish that end it is necessary for us to stage another unwarranted raid on the Federal Treasury.

Mr. Speaker, I yield back the balance of my time.

Mr. LATTA. Mr. Speaker, I yield 5 minutes to the gentleman from Nebraska (Mr. MARTIN).

(Mr. MARTIN asked and was given permission to revise and extend his remarks.)

Mr. MARTIN. Mr. Speaker, we have before us a bill today which is in two sections. Title I of the bill I approve of heartily, because it would result in fiscal responsibility in the operation of our Civil Service Retirement System and put it on a sound basis, but on the other hand title II offsets the benefits derived from title I of the legislation, because it increases the liability under its provisions to the tune of \$3.7 billion.

Mr. Speaker, I would like to quote from the report on page 28 in a letter from the U.S. Civil Service Commission, written by Mr. Robert E. Hampton, and I quote from that letter:

Title II would liberalize existing benefits in the following ways:

1. Gross earnings, rather than basic pay, would be used in determining retirement benefits and deductions.
2. Average salary for annuity computation purposes would be determined on the basis of 3 rather than 5 years.
3. Unused sick leave would be added to the actual length of service in computing annuities.
4. An extra 1 percent would be added to each annuity increase resulting from changes in the Consumer Price Index.

And I quote further:

In summary, if the bill is amended to delete those financing provisions which we consider unnecessary and to delete the liberalizing amendments proposed in title II, we strongly urge enactment of H.R. 770.

Now, Mr. Speaker, I would like to quote from the letter to the chairman of the committee from the Executive Office of the President, Bureau of the Budget, written by Mr. Wilfred H. Rommel:

Title II of H.R. 770—

And that H.R. 770 was the original bill sent down to the Department—

Title II of H.R. 770 would provide a number of liberalizations primarily designed to enhance the value of annuities earned by long-service employees. In the aggregate, they would have the effect of increasing the unfunded liability by more than \$3.7 billion. We believe it would be incongruous to include in a bill designed to halt the growth of the unfunded liability of the retirement system, provisions which would of themselves increase the existing unfunded liability by more than 6 percent.

And I quote further:

Therefore, we recommend that the liberalizations contained in title II be deleted.

Mr. Speaker, the Congress has set a limitation on expenditures for the fiscal year 1970 by the executive branch of the Government and here we are in legislation proposing today under title II to increase further the cost of the operation of our Federal Government.

Title II will probably pass the Congress today, but it seems to me the height of irresponsibility to propose setting this fund up on a fiscally sound basis, and then on the other hand in title II to eliminate the good that is being done by the provisions of title I.

I would like to direct a question to the chairman of the committee, the gentleman from New York (Mr. DULSKI).

In the Rules Committee hearing I asked the question whether there would be any changes in the retirement for Members of Congress and the answer, as I recall it, was that the 7½ percent currently taken out of our pay checks would remain the same; is that correct?

Mr. DULSKI. That is correct.

Mr. MARTIN. The bill last year increased that one-half of 1 percent—but this remains the same?

Mr. DULSKI. That is correct.

Mr. MARTIN. Let me ask one other question of the chairman of the committee.

In reducing the basis for retirement from the high 5 years to 3 years, would this apply to the retirement of Members of Congress as well as civil service employees?

Mr. DULSKI. Yes, it would.

Mr. MARTIN. It would apply to Members of Congress as well?

Mr. DULSKI. Yes, it would.

Mr. MARTIN. Mr. Speaker, I am also opposed to that, because it increases benefits without any increase in the amount paid in.

Mr. DANIELS of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. MARTIN. I am glad to yield to the gentleman from New Jersey.

Mr. DANIELS of New Jersey. The gentleman made a statement referring to the report of the Bureau of the Budget in which he stated that the bill would add over \$3 billion to the unfunded liability.

I believe that report had reference to the bill, H.R. 770, which was the bill I originally introduced on the opening day of this Congress. Do you know there is a substantial difference in one important feature of H.R. 770 and the bill, H.R. 9825, the bill presently under discussion?

Do you not know that the bill, H.R. 9825, does not include provisions as included in the bill, H.R. 770, relating to the inclusion of overtime, premium and differential pay of employees as basic pay for retirement purposes? Because that particular provision would cost over \$2½ billion, in the judgment of our committee, we deleted that and it is not included in the bill, H.R. 9825, the bill we are presently considering.

Mr. MARTIN. I would like to ask the gentleman why he did not—

Mr. DANIELS of New Jersey. If I may have the gentleman's attention, I will tell you exactly what the increase—

Mr. MARTIN. I will not yield further to the gentleman to make a speech. He can do that on his own time.

Mr. DANIELS of New Jersey. I am going to make a speech later.

Mr. MARTIN. I would like to ask the gentleman a question: Why were not the departments downtown requested to give their opinions on the bill which we have before us instead of the bill which you introduced last January, and why were not their letters included in this report?

Mr. DANIELS of New Jersey. Representatives of the departments appeared before the committee.

Mr. MARTIN. That does not answer my question. Why did you not have letters from the departments that would pertain to the legislation we have before us instead of some other bill that was not reported out by your committee?

Mr. DANIELS of New Jersey. This is a clean bill, sir.

Mr. MARTIN. This does not look like a very clean bill to me. The committee has the responsibility to write a report and include letters from the proper bureaus which accurately reflect their thinking on the bill before us. I note that the two letters from which I quoted, were written last March 19, although the letter from the Bureau of the Budget shows March 19, 1968.

I yield back the balance of my time.

Mr. DELANEY. Mr. Speaker, I have no further requests for time.

Mr. Speaker, I move the previous question on the resolution.

The previous question as ordered.

The resolution was agreed to.

A motion to reconsider was laid on the table.

Mr. DULSKI. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H.R. 9825) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

The SPEAKER. The question is on the motion offered by the gentleman from New York.

IN THE COMMITTEE OF THE WHOLE

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H.R. 9825, with Mr. McFALL in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

The CHAIRMAN. Under the rule, the gentleman from New York (Mr. DULSKI) will be recognized for 1 hour, and the gentleman from Pennsylvania (Mr. CORBETT) will be recognized for 1 hour.

The Chair recognizes the gentleman from New York.

Mr. DULSKI. Mr. Chairman, I yield myself such time as I may consume.

Mr. Chairman, before yielding to the chairman of the Retirement Subcommittee, the gentleman from New Jersey (Mr. DANIELS), I will say that the bill before us is a special tribute to him and every member of his subcommittee, as well as the fine bipartisan support given by the minority side of the committee.

This landmark legislation has been carefully worked out through diligent and unceasing effort over a period of 2 years. It has been developed, refined, and tested through hearings, conferences, and executive deliberations that were among the most intensive in the history of our committee.

H.R. 9825 achieves a delicate, yet ideal, balance—a balance that should not be disturbed—in coupling together long-overdue retirement financing and a very moderate updating of the benefit structure—the first major benefit changes in 13 years.

Mr. Chairman, I urge my colleagues to give this excellent bill the overwhelming approval it so richly deserves.

I yield 15 minutes to the gentleman from New Jersey (Mr. DANIELS), the chairman of the subcommittee.

The CHAIRMAN. The gentleman from New Jersey is recognized for 15 minutes.

(Mr. DANIELS of New Jersey asked and was given permission to revise and extend his remarks.)

Mr. DANIELS of New Jersey. Mr. Chairman, I rise to urge my colleagues on both sides of the aisle, Democrats and Republicans, to give their strong support to the legislation before you today, H.R. 9825, the major purpose of which is to improve the financing and funding practices of the civil service retirement system, and to provide certain limited, but needed, improvements in the benefits structure of the system within the framework of the new financing approach.

It is a good bill, a sound bill, and the product of many months of intense work,

study and consideration by the House Subcommittee on Retirement, Insurance, and Health Benefits in conducting extensive public hearings, executive sessions, and conferences with official representatives of agencies of the legislative and executive branches; namely, the Honorable Robert E. Hampton, the present Chairman of the U.S. Civil Service Commission; the Honorable John W. Macy, J., the former Chairman of the U.S. Civil Service Commission; the Honorable Philip S. Hughes, Deputy Director of the Bureau of the Budget; the Honorable Elmer B. Staats, Comptroller General of the United States, and others.

This three-pronged financing approach—dealing with normal cost, future unfunded liabilities, and the present unfunded liability—contains the recommendations, the unanimous recommendations, of the honorable gentlemen whose names I just mentioned. Also, I think the Members of this House should know that this bill was cosponsored by 25 Members, 24 of whom serve on the Committee on Post Office and Civil Service; that an identical bill, H.R. 10219, has been cosponsored by 14 other Members, several of whom previously served on the committee; and that all of the members of the Subcommittee on Independent Offices Appropriations cosponsored a bill embodying the basic financing proposals contained therein, H.R. 8608. It is worthy of note, also, that H.R. 9825 was reported favorably by the Subcommittee on Retirement, Insurance, and Health Benefits and the full Committee on Post Office and Civil Service without a dissenting vote. Of further significance is the fact that Senate bill S. 2326, which is identical to this legislation, and introduced by the chairman of the Senate Committee on Post Office and Civil Service, Senator McGEE, was the subject of public hearings by the Senate Retirement Subcommittee on July 10 and 11.

Therefore, H.R. 9825 is the product of the common effort of the officials of the Civil Service Commission, the Bureau of the Budget, the General Accounting Office, and by the members of the Retirement Subcommittee whose devoted attention and energies have been directed to a most involved and complex subject.

This body demonstrated its concern for the financial integrity of the civil service retirement program in the last Congress by passing a similar measure, H.R. 17682. While the bill was passed on October 1, 1968, unfortunately, time did not permit the Senate to act thereon.

I want to publicly commend the members of the subcommittee, our ranking majority and minority members—the gentleman from North Carolina, Congressman HENDERSON, and the gentleman from Virginia, Congressman SCOTT—and the chairman and ranking minority member of the full committee, Congressmen DULSKI and CORBETT, for their tireless efforts and contributions toward the development of a good and sound piece of legislation, H.R. 9825.

The Committee on Post Office and Civil Service believes that the civil service retirement system is one of its most important responsibilities. It is an essential

part of a modern employment system designed to attract and retain employees of the caliber to conduct the complex business of government. It contributes importantly to the financial security of millions of past, present, and future Federal employees and their dependents. There should never exist the slightest doubt of the system's ability to meet its commitments to these people.

The results of an in-depth study conducted by our standing Subcommittee on Retirement, Insurance, and Health Benefits over an extended period of time most assuredly attest to the fact that any doubt which exists as to the system's ability to meet future commitments is attributable to funding practices which have been grossly inadequate since the program's very inception in 1920.

Federal employees have always contributed the full amount set by law. While the Government has contributed substantial amounts to the trust fund, it has failed to appropriate regularly and systematically, on a concurrent basis, sufficient funds to meet the ultimate cost not covered by employees' contributions.

Retirement system financing has been a problem of continuing concern to the Congress, to its respective committees, and to officials of the executive branch. The history of actuarial reports has indicated successively for a long time past an increasingly pessimistic view with respect to actuarial costs and liabilities under the escalating benefits and other liberalizations in the specifics of the retirement programs. In past years, several methods for determining appropriations to meet the Government's obligation to the system have been considered, and some have been adopted. However, the attitudes of various administrations, Congresses, and respective congressional committees has changed from time to time, but facing the problem realistically has been long delayed.

At the end of the fiscal year 1969 the unfunded liability of the system approached \$57.7 billion. Full implementation of the 1967 salary statute in the fiscal year 1970, beginning this month, is expected to increase that deficiency to \$61.1 billion. Under present financing practices, the unfunded liability will continue to grow by more than \$2 billion every year, sometimes much more. By 1975 the disbursements will begin to exceed annual income of \$3.8 billion. Thereafter disbursements will continue to escalate appreciably under a relatively static income, and result in a declining fund balance. Consequently, to meet benefit payments, all disbursements in excess of current income will have to be met from the fund balance. Without additional funding, that balance will be totally exhausted by 1987. Immediately thereafter, disbursements will exceed income by \$3½ billion, and will require direct appropriations to meet benefit payments.

During ensuing years, progressively higher amounts would be required until, at the turn of the century, the necessary direct appropriations will approach \$5 billion. These substantial sums, it is emphasized, will be an addition to the approximate \$3½ billion income received by the trust funds from then active employee and agency contributions.

The historical pattern of employee-employer contributions to the retirement fund supports the conclusion that deficiencies—that is, accrued liability for which contributions to the fund have not been made—are the responsibility of the Government as the employer. The major causes of such deficiencies have been:

First. Creditable service for which neither the employee nor the employer contributed—such as free credit for military service, and for Federal civilian service during which the employee was not currently subject to the program.

Second. General wage increases which result in benefits based on a higher pattern of salaries than that upon which at least a portion of contributions is based.

Third. Liberalizations applying to benefits based on past and/or future service without a commensurate increase in contributions.

Fourth. Loss of compounded interest income which would have been earned if the accrued liability had been fully funded.

The Committee on Post Office and Civil Service feels strongly that, in furtherance of their objective of prudent management of the Government's financial affairs, it is important that Congress provide a definite plan to improve the system's financing.

The major purpose of the legislation is to improve funding practices so as to maintain confidence in the soundness of the Civil Service Retirement and Disability fund, and to assure that the necessary money is available when needed to pay the annuities of Federal retirees and survivor annuitants—in full and on time. The legislation also provides certain limited, but needed, improvements in the benefit structure of the program within the limits of the new financing approach.

The bill contains a three-pronged approach, as follows:

First. Normal cost financing through equal employee-agency contributions is retained. Because of the inadequacy of current contributions, implementation of normal cost financing of the existing benefit structure—including the legislation contained in title II—requires an immediate 1-percent increase in the combined contribution rate from 13 to 14 percent of payroll, in the case of employees, and from 13 to 15 percent of payroll in the case of congressional employees, effective in January 1970.

Second. The costs of future incremental unfunded liabilities which will result from benefit liberalizations for the active work force are to be fully financed by the Government through direct appropriations to the fund, in equal annual installments, over 30-year periods.

Third. Direct appropriations, under permanent indefinite authority, will be made to meet the Government's obligation for the presently increasing unfunded liability which arises from legislation already enacted, including that created in title II of this legislation, in amounts equivalent to interest on the future accrued deficiencies. This responsibility will be fulfilled by transfers of moneys from the Treasury, beginning on a modest scale in 1971 and progressively increasing by 10 percent each subsequent

year. In 1980 and thereafter, the amounts will equal the full equivalent of interest on the unfunded liability.

In the committee's judgment, this approach, while somewhat new in concept and mechanics, is sound and will accomplish the desired results by providing in full for the permanent financing of the civil service retirement system.

The legislation also provides for these limited improvements and remedies in certain areas of the benefit structure of the retirement program:

First. Annuities of employees and Members would be computed upon the average of the 3 highest years of earnings, in lieu of the existing provision of computing benefits upon the 5 high years of average pay.

Second. The 15-year limitation imposed under the congressional employee computation formula would be remedied by removal of such limitation.

Third. A new provision would be incorporated into the program to include for service computation purposes the value of unused sick leave to the credit of an employee upon death in or retirement from Federal employment; thus, allowing credit of one additional month of service for each 22 days of accrued sick leave in computing his annuity, or that of his surviving spouse.

Fourth. An additional 1 percent would be added to future cost-of-living adjustments payable to retirees and survivor annuitants, so as to compensate for the 5-month waiting period which elapses between the Consumer Price Index attaining a rise of 3 percent and the eventual belated payment of the annuity increase.

Fifth. The remarriage provisions of present law with respect to the surviving spouses of the active work force would be extended to any surviving spouse whose remarriage occurs on or after July 18, 1966, the date that existing law was so amended.

Mr. Speaker, these minimal changes provided by title II of this legislation are attainable within the framework of the increased normal cost and incremental financing provisions of title I of the bill. The normal cost of present benefits, 13.86 percent of payroll, would be increased by thirteen one-hundredths of 1 percent, to 13.99 percent of payroll. The combined agency-employee contributions of 14 percent required by title I will not only cover those present benefits which are underfinanced by eighty-six one-hundredths of 1 percent, but the thirteen one-hundredths of 1 percent of those normal cost items provided herein. The additional unfunded liability incurred by all of title II will be stabilized by the payment of interest thereon, under the permanent-indefinite appropriations authority provided in title I.

Mr. Speaker, the magnitude of the problem of retirement financing is such that it is imperative that Congress take action toward a prompt and positive solution. While the budgetary impact of this legislation will be sudden and sharp, it will, nevertheless, be far less drastic than if present financing practices continue unchanged.

In view of the urgency to enact a definite program of action to insure the sys-

tem's ability to fulfill its future obligations, I strongly urge the adoption of H.R. 9825, without amendment.

Mr. CORBETT. Mr. Chairman, I yield myself such time as I may consume.

(Mr. CORBETT asked and was given permission to revise and extend his remarks.)

Mr. CORBETT. Mr. Chairman, this is not only a good bill but, title I of the bill is an absolute must.

Mr. Chairman, if we do not properly finance this retirement program, we as a Congress are going to be in serious trouble come 1975 when the payments out of the fund are expected to exceed payments into the fund. And, by approximately 1987 the fund could be without any reserves whatsoever. So, I simply believe that there is no argument possible regarding title I. We simply have to pay the bill. We have ordered the meal and have consumed it. Now the check has come.

As a matter of fact, in approximate figures, we estimate that every day that this bill is not enacted into law is costing the fund \$500,000—\$500,000 a day. Therefore, it becomes increasingly clear that we have to have this part of the bill.

Now, then, regarding title II, there are those who raise some sincere objections to it. To these objections we can only say that if we are going to charge our employees one-half of 1 percent more of their salaries, they are entitled to any benefits for which their money pays.

Now, then, very definitely the amount of money which will be coming into the fund, new money, will more than offset the cost of the additional benefits that are provided for in the bill. As the gentleman from New Jersey (Mr. DANIELS) pointed out, the most costly benefit that might have been included was stricken from the proposal. Consequently, this bill provides for an actuarially sound program and should, as the gentleman says, be adopted without amendment.

I think it only fair to say also that if title II is continued in this bill without change, I propose and shall offer a recommittal motion to require that the Members pay 8 percent instead of their present 7½ percent.

I noticed on the news sheet being circulated in the cloak room yesterday that the business of the House today was to liberalize employee's and congressional pensions. This is absolutely misleading.

This bill is primarily to properly fund the retirement program, and only very incidentally to improve the ultimate annuities. Consequently, I join in congratulating the members of this subcommittee for the fine job they have done, and I join with most of them, if not all, in urging that the bill be passed as it came from committee. It is complicated and involved, and in the event that we start mixing up certain phases of it we are apt to get the whole thing out of balance.

So, Mr. Chairman, with that admonition to the House that we pass this bill, I will conclude my remarks.

(Mr. CORBETT asked and was given permission to revise and extend his remarks.)

Mr. CORBETT. Mr. Chairman, at this time I yield 15 minutes to the ranking minority member of the subcommittee, the gentleman from Virginia (Mr. SCOTT), who worked on this bill with the Congressman from New Jersey (Mr. DANIELS).

(Mr. SCOTT asked and was given permission to revise and extend his remarks.)

Mr. HALL. Mr. Chairman, I make the point of order that a quorum is not present.

The CHAIRMAN. Evidently a quorum is not present. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 117]

Adams	Hanna	Ottenger
Anderson,	Hansen, Idaho	Patman
Tenn.	Hansen, Wash.	Powell
Ashley	Harsha	Preyer, N.C.
Baring	Hastings	Price, Ill.
Belcher	Hawkins	Purcell
Biaggi	Hébert	Randall
Boland	Henderson	Reid, N.Y.
Brock	Horton	Riegle
Brooks	Howard	Saylor
Brown, Ohio	Joelson	Sebelius
Broyhill, Va.	Kastenmeier	Sisk
Carey	Kirwan	Staggers
Clark	Landrum	Stanton
Clay	Lipscob	Stephens
Conte	Long, La.	Stratton
Culver	McCarthy	Taylor
Daniel, Va.	McClory	Teague, Calif.
Davis, Ga.	MacGregor	Teague, Tex.
Diggs	Mann	Thompson, N.J.
Evins, Tenn.	Mayne	Udall
Feighan	Mollohan	Welcker
Flynt	Moorhead	Widnall
Fountain	Murphy, N.Y.	Wilson, Bob
Frey	O'Konski	Winn
Fuqua	O'Neal, Ga.	Wolff
Goldwater	O'Neill, Mass.	Wylder

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McFALL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 9825, and finding itself without a quorum, he had directed the roll to be called, when 352 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. At the time of the quorum call, the gentleman from Virginia (Mr. SCOTT) had been recognized for 15 minutes.

(Mr. SCOTT asked and was given permission to revise and extend his remarks.)

Mr. SCOTT. Mr. Chairman, I rise in support of H.R. 9825. In my opinion, it is a much better bill than that approved by the House last year. In this bill, the Congress retains control over the setting of contributions to the civil service retirement fund by both the Government and the employee. Under the measure we approved last year, this function would have been transferred to the Civil Service Commission. This seems to me to be a legitimate legislative function of the Congress and one that should not be transferred and I feel the bill is strengthened by the elimination of the provision.

The primary purpose of the bill is to stabilize the civil service retirement fund. The distinguished chairman of the subcommittee has already explained in de-

tail the way in which the financing provisions will work. But I do want to endorse what he has said and to assure the Members that title I of the bill will vastly improve our retirement system and assure that the necessary money is available when needed to pay the annuities of the Government's retirees and survivor annuitants. Let me add, however, that this bill will not eliminate the present unfunded liability in the civil service retirement fund. As I understand, if all liabilities should suddenly become payable at one time, the Government would be obligated to pay \$78.3 billion; but, of course, not all Government employees could retire at the same time and demand complete payment of all obligations on the same day. Their right to retire does not accrue in this manner.

There is a balance of approximately \$20.6 billion in the retirement fund and an unfunded obligation of \$57.7 billion. Perhaps we should emphasize that this unfunded deficit is \$57.7 billion. What this bill does do is to tend to stabilize the unfunded liability by providing for payment of interest on the deficit in an increasing percentage over a period of years, as shown in table B on pages 10 and 11 of the committee report, so that by fiscal year 1980 the Government will be paying 100 percent of the interest on this deficit. I might mention, however, that this table is not entirely accurate in that it was prepared in connection with last year's bill rather than the current one. Interest alone at that time and each year thereafter will be \$2,690 million which, of course, is a sizable amount even for the Government to pay, but the consequence of bankruptcy of the fund and payment to Government employees out of direct appropriations each year is so undesirable that, in my opinion, we must stabilize the retirement fund in the interest of both the Government and the employees.

In an informal conversation with a Civil Service Commission official knowledgeable in this field, he indicated that if the Government would appropriate the entire \$57.7 billion represented by the unfunded liability, there would not be any immediate need for the appropriated funds, but the funds would be placed in interest-bearing obligations of the Government. In other words, the unfunded liability is presently an obligation of the Government upon which the interest would be paid in full annually beginning in 1980, and the same situation would exist if this money were appropriated. This is brought to the attention of the Committee so that no one will believe the passage of this bill will eliminate the unfunded liability of \$57.7 billion.

I think the Members should also be aware of two provisions in the bill which were the subject of some controversy during committee consideration. One provision will permit retirement service credit to be allowed for the calendar value of unused sick leave of Federal employees. Under this provision, an employee who meets the age and service requirements for immediate retirement will be able to add to his years of service

1 calendar month for each 22 days of sick leave for the purpose of computing his annuity. This sick leave would not, however, be counted in determining average pay or in attaining eligibility for retirement.

As is pointed out in the committee report and in the supplemental views, this is a departure from the historic philosophy of the sick leave system. But the committee believed that the provision was justified and would be beneficial to the Federal service.

Another provision of the bill relates to the computation of retirement annuities for congressional employees. These employees are defined in section 2107 of title 5, United States Code, as follows:

First, an employee of either House of Congress, of a committee of either House, or of a joint committee of the two Houses;

Second, an elected officer of either House who is not a Member of Congress;

Third, the Legislative Counsel of either House and an employee of his office;

Fourth, a member of the Capitol Police;

Fifth, an employee of a Member of Congress if the pay of the employee is paid by the Secretary of the Senate or the Clerk of the House of Representatives;

Sixth, the Architect of the Capitol and an employee of the Architect of the Capitol; and

Seventh, an employee of the Botanic Garden.

Presently, congressional employees have their annuities computed by multiplying the average pay times $2\frac{1}{2}$ percent times so much of their congressional, military, or Member service as does not exceed 15 years. Any service above 15 years is computed at the rate of 2 percent. The amendments in this bill would eliminate the 15-year ceiling for computation at the higher percentage and would also limit the years of creditable military service to 5 years. This provision will bring congressional employees on a par with Members of Congress in these respects. However, it would also increase their contribution to the retirement fund from $6\frac{1}{2}$ to $7\frac{1}{2}$ percent, with the Government matching this contribution. The increase in contribution should more than offset the cost of the enlarged benefits as pointed out on page 19 of the committee report.

Mr. Chairman, the various provisions of this bill have been thoroughly discussed in both the subcommittee and the full committee. We have not been unanimous in our feelings toward all of the provisions. However, in my opinion, it is a good bill, one long desired by Government employees and one that should eliminate their concern for the continued worsening conditions of the retirement fund. Passage will assure them that necessary funds will be available when needed to pay all obligations of the fund.

Let me add one more thing: concern has been expressed by several Members of the House because title II of the bill provides that annuities will be computed on the basis of the highest 3 years of average earnings of Government employees rather than the highest 5 years under existing law. During a period of

time when salaries are increasing, this will, of course, result in higher annuities. However, employees will have 7 percent deducted from their salaries for retirement purposes rather than $6\frac{1}{2}$ percent; congressional employees and Members will have $7\frac{1}{2}$ percent, all matched with an equal Government contribution. Our committee has been assured by the Civil Service Commission that these contributions will be sufficient to cover the benefits received by the employees. You may be interested in reading the discussion of this matter on page 12 of the report.

The chairman of our subcommittee has been very fair in permitting all points of view to be presented. We have adopted a number of amendments to the measure as originally introduced and as passed the House last year. In my opinion, we have a much better bill. I hope the Committee will see fit to act favorably on the bill.

Mr. DULSKI. Mr. Chairman, I yield 5 minutes to the dean of the House of Representatives, the gentleman from New York (Mr. CELLER).

(Mr. CELLER asked and was given permission to revise and extend his remarks.)

Mr. CELLER. Mr. Chairman and Members of the Committee, I am pleased to rise in strong support of the legislation before this House today and of our colleagues on the Committee on Post Office and Civil Service and particularly the members of the Subcommittee on Retirement, Insurance, and Health Benefits.

Mr. Chairman, the thrust of the bill primarily is to protect the retirement fund. This fund to my mind is a sacred trust. It must be protected from any and all factors that might in the slightest degree militate against its integrity.

We must keep the faith—the faith to the thousands of Federal employees who years after faithful toil retire from their labors and enter into the deserved age of slipped ease and comfort. All employees look anxiously to this period of leisure. How frightening to them it would be if they had any doubts about the retirement fund which we are under obligation to protect. They would remain in fear constantly if there were the slightest danger of impairment of that fund.

We must keep that fund impervious to all dangers. The fund, unfortunately, is now in danger and we must address ourselves forthwith to erase that danger.

I am not going to go into all of the ramifications and convolutions of the financial aspects of this problem, particularly with reference to title I.

Suffice to say that there is involved herein a solution to the difficulties. The relief is through a three-faceted funding program that first, increases employee-employer contributions from $6\frac{1}{2}$ to 7 percent of payroll to cover normal costs; second, provides payment of all future increases in the unfunded liability; and third, provides for the stabilization of existing unfunded liability.

This funding approach, as I understand, is fully endorsed by the Bureau of the Budget, the Civil Service Commission, the General Accounting Office and the House Independent Appropriations Subcommittee.

I do not think we can find greater authority than that for the efficacy and worthwhileness of this bill.

The three steps—in combination—that I have mentioned provide sound and permanent financing of this important program, cover the full cost of all future changes in the program; ease their budgetary impact; control growth of the deficiencies; keep the fund solvent, and at the same time avoiding excessive buildup of the balance before the money is actually needed, and restore confidence in the program's ability to make benefits available promptly and in full.

Such remedy is full and complete.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Iowa.

Mr. GROSS. Did the gentleman say that the Executive supports this bill?

Mr. CELLER. I did not hear the gentleman.

Mr. GROSS. Did the gentleman say that the executive branch of the Government supports this bill?

Mr. CELLER. I took the words that I just read from the report itself. If the gentleman has any opinion to the contrary, it might be well to let the House know that there are contrary views on that subject.

Mr. GROSS. I would say to the gentleman that I have already let the House know, but for the gentleman's information, the executive branch does not support title II of this bill.

Mr. CELLER. I heard the gentleman's remarks. I usually have great respect for his remarks, but I do not think the statement he read before is unconditional. It was in futura. The gentleman does not know exactly whether the Bureau of the Budget will or will not finally approve this legislation. The assistant who wrote that letter himself is not sure as to what action the Bureau of the Budget would take.

Mr. GROSS. Mr. Speaker, will the gentleman yield further?

Mr. CELLER. Yes, I yield to the gentleman from Iowa.

Mr. GROSS. The letter was signed by the Director of the Bureau of the Budget, Mr. Mayo, not an assistant.

Mr. CELLER. That may very well be, but it might be also that enlightenment will strike between now and the passage of the bill and the time the President may have an opportunity to sign it, and I doubt very much, sir, whether the President will take upon himself the grave responsibility of vetoing a bill of this character. The President will think many times over before he would follow the Bureau of the Budget in advice to veto a bill of this nature.

Mr. SCOTT. Mr. Chairman, will the gentleman yield?

Mr. CELLER. I yield to the gentleman from Virginia.

Mr. SCOTT. I appreciate the gentleman yielding. Since he is the dean of the House, I wonder if he could recall back over the years whether, during the time the gentleman has been in Congress, the executive branch has not usually had some objection from a monetary point of view to improvements or liberalizations

in the Government employees retirement fund.

Mr. CELLER. As I very quickly search my own memory, I do not recall any such incident where the Chief Executive took upon himself such a responsibility. I doubt very much whether the President of the United States would deign—and I use the word “deign” advisedly—to veto a bill of this character that seeks, in the main, to put the fiscal house with reference to the retirement fund in order. I cannot conceive how the President would do such a thing. The President is too shrewd, too conversant with the political repercussions of his actions to veto this bill.

Reference has been made to title II. I will say that perhaps there may be some objections to some of the forms involved in title II. You cannot get a perfect bill, gentlemen. In my long experience, I do not know whether we have ever had a perfect bill. Even the diamond has its flaws. Our experience always tells us that worthwhile legislation is always the result of compromise, and I take it that within the confines of this committee the intelligence of the members thereof has dictated some sort of compromise, so they have given us the best of their endeavors. I think we must have great confidence in the members of this committee, and if we would try to subvert and upset the labors of the committees of the House, we would get nowhere. We have neither the expertise nor the opportunity to learn all there is to be known about a given subject. In a word, the members of the committee must know everything about something, but we outside the committee must content ourselves to know something, be it ever so little, about everything.

So I cannot offer myself as an expert against the experts of this committee. I, therefore, hope this bill, a very salutary bill which requires attention of a very extreme nature; namely, the stabilizing of this fund, will pass—and pass overwhelmingly.

Mr. SCOTT. Mr. Chairman, I yield 10 minutes to the gentleman from Iowa (Mr. GROSS).

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, I sincerely want to support the main purpose of this legislation, which is to save the Federal employees' retirement fund from disaster and complete bankruptcy. But, I take vigorous exception to several provisions in the bill.

This measure is brought to the floor of the House under the guise of legislation needed to refinance the retirement fund. However, included in this bill is title II which grants over \$1 billion in retirement liberalizations. The administration opposes the provisions contained in title II because of the increased cost and has served notice as I stated earlier today that it will give serious consideration to a veto if those provisions remain in the legislation.

I shall offer an amendment to strike out title II of the bill which provides the following liberalizations: First, sick leave credit for retirement purposes; second, a 1-percent cost-of-living adjustment for

retired employees; third, an increase in survivor annuities; fourth, computation of retirement based upon the high 3-year average salary.

Another provision to which I take serious exception is the language of the bill, exempting the liberalizations it provides from the financing provisions of title I which provide that such liberalizations in the future shall be financed by equal annual appropriation installments over a 30-year period.

Believe it or not, the added liberalizations, or the liberalizations in this bill are not included in the unfunded liabilities which this bill seeks to correct.

I will offer an amendment to make any retirement liberalizations effective after July 1, 1969, as well as the retirement cost of the pay increase which became effective earlier this month subject to the 30-year financing provisions of title I.

There is another financing provision in this bill which provides that the Government shall assume responsibility for present retirement fund deficiencies by payment of interest on the unfunded liability created by past legislation which now amounts to over \$60 billion.

It should be pointed out that the Secretary of the Treasury was not invited to submit his views with respect to this section of the bill. It seems to me that where the Treasury Department is called upon to credit the retirement fund with tremendous Government payments beginning in fiscal year 1971 and each year thereafter, the Secretary of the Treasury should have been afforded an opportunity to submit his views in person. In case anyone believes this is a minor matter, I call attention to the fact that this provision requires the Treasury Department to credit the retirement fund with \$230 million in fiscal year 1971, which will gradually increase each fiscal year thereafter until fiscal year 1980. From that year on an amount of \$2.69 billion annually will be required, merely to pay the interest on the unfunded liability to keep the fund at the same level.

This bill originated last year when it took the form of a Johnson administration recommendation containing only the financing provisions which are in title I of H.R. 9825.

Thereafter, the bill was amended and the retirement liberalizations were added by the Post Office and Civil Service Committee, which are now in title II. That bill passed the House of Representatives last year on October 1, 1968, but the Senate did not consider it.

The former administration and this administration both opposed the liberalizations contained in title II. But, in order to get favorable action on this legislation, I strongly suspect the former administration was willing to accept the provisions of title II. However, there is no assurance that the President this year will approve the legislation in its present form, for the administration has opposed the enactment of title II in this bill.

As I stated earlier, the amendment which I shall offer is to make the provisions of the bill consistent by fully complying with the financing sections

to prevent the retirement fund from absolute depletion. I believe this amendment is necessary if we are to approve sensible legislation today.

Mr. DANIELS of New Jersey. Mr. Chairman, I yield 5 minutes to the gentleman from Montana (Mr. OLSEN).

(Mr. OLSEN asked and was given permission to revise and extend his remarks.)

Mr. OLSEN. Mr. Chairman, I rise in support of H.R. 9825.

The testimony presented to the Subcommittee on Retirement, Insurance, and Health Benefits most assuredly attests to the fact that it is of the utmost urgency that we in the Congress address ourselves, promptly and positively, to this alarming situation. It is the responsibility of the Congress to insure that the civil service retirement fund will have the ability to fulfill the Government's obligation to its present and future retirees, and to their families.

I would invite the attention of this House to the “Statement of Operating Receipts and Disbursements from the Retirement Fund from 1920 to 1968,” appearing on page 6 of the committee report. You will observe that from the system's inception until the early 1960's, that annual disbursements approximated, on the average, about one-half of the annual income.

It will be noted, however, that in the present decade the percentage of disbursements has gradually increased in proportion to the income. It will be observed that disbursements in past several years, and during the last fiscal year, are equivalent not to 50 percent—but to more than 60 percent of current income. In the present fiscal year it is estimated that receipts will total about \$3.6 billion, whereas disbursements will total \$2.3 billion—or 65 percent of current income.

Under existing funding practices, disbursements will continue to gradually exceed this 65 percent of annual income by an additional average of 5 percent each year, and eventually equal total receipts by 1975. Thereafter, outgo will continue to progressively exceed income over the following 12 years, and will be twice as great as income by the year 1987. In order to pay out more than 100 percent of current income during that 12-year period, it would be necessary to spend the entire assets of the retirement fund.

Since the entire fund is appropriated for the payment of benefits, those benefits would be paid as long as there is a dollar in that fund, supplemented by whatever comes into it by then-current employee deductions and agency contributions, plus interest thereon. The situation that H.R. 9825 proposes to preclude is the necessity of relying upon direct appropriations of billions of dollars each and every year to meet disbursements estimated to exceed \$6½ billion in 1987, and \$8 billion by the end of this century.

Mr. Chairman, I urge this body's unanimous support of H.R. 9825.

Mr. HICKS. Mr. Chairman, will the gentleman yield?

Mr. OLSEN. I yield to the gentleman.

Mr. HICKS. I thank the gentleman for yielding.

(Mr. HICKS asked and was given permission to revise and extend his remarks.)

Mr. HICKS. Mr. Chairman, I am very pleased that the House is considering today the long-delayed legislation to improve the financial condition of the civil service retirement fund in an effort to assure that necessary funds will always be available to pay annuity benefits.

I am particularly interested in this measure because there are nearly 25,000 Government employees in my district, the Sixth District of Washington State, who have rightly become increasingly apprehensive over the rapidly mounting level of the unfunded liability of the retirement fund. This results from the fact that many are just becoming fully cognizant of the great amount estimated to be needed to fully finance all benefits due employees and former employees, less money to the credit of the fund and that to be placed in the fund in the future. This amount of potential deficit has doubled since 1961. These employees realize that this trend cannot be allowed to continue or the fund balance will ultimately be depleted, possibly as early as 1987. Action must be taken to forestall this contingency.

Judging from the correspondence and inquiries I have received, the workers in my district favor the limited improvements in the retirement benefits this legislation would provide and are willing to pay for them with the increased contributions required by this bill.

Thinking that retirement annuities determined under the high 3 years provided in this bill would be more in line with today's cost of living, many people postponed their retirement when Congress began considering this retirement legislation. They have now been waiting nearly 2 years. As I understand H.R. 9825, it provides for adequate funding for this and the other benefits provided in title II.

Mr. Chairman, in addition to the Government employees in my district, there are thousands of people receiving retirement and survivor annuities. The people are having great difficulty keeping abreast with the continual increases in the cost of living. Although the procedure adopted in 1965 for providing cost of living adjustments helped considerably in solving this problem, the most recent round of inflation has demonstrated an additional gap in this process. The committee's bill should narrow this gap and provide a mechanism which will keep annuities more nearly in line with prices.

In closing, Mr. Chairman, I would like to commend the subcommittee and its chairman, the gentleman from New Jersey, Congressman DOMINICK V. DANIELS, for the excellent job they have done on this legislation. In my own view H.R. 9825 will restore confidence in the retirement system and correct the more glaring problems presently facing the system.

Mr. SCOTT. Mr. Chairman, I yield 10 minutes to the gentleman from Illinois (Mr. DERWINSKI).

(Mr. DERWINSKI asked and was given permission to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Chairman, before addressing myself to the details of this issue, I would first wish to inform the Members who are here hard at work that the National League is leading in the all-star game 8 to 2. If someone thinks that this is quite a departure subject-matterwise from the bill before us, I believe that it is not so at all, since you might note the big league baseball pension fund is in very excellent financial shape, which is not a description that could be applied to the fund of the Federal employees.

For that reason, Mr. Chairman, I support title 1 of this bill along with the illustrious members of the subcommittee and the full committee who are writing such a fine, impressive, eloquent, and determined history of legislation this afternoon.

Mr. Chairman, as I see it, title II of the bill represents a backward step. Having developed at progressive approach in title 1, the committee starts to chip away at it in title II. However, the distinguished gentleman from Iowa and myself are very concerned over this. We intend to aid the majority of the subcommittee and the full committee by helping to correct the innocent little items that have crept into this bill through the vehicle of title II. Once we do it title I will serve its real purpose.

If I may have the attention for a moment of the floor manager of the bill, the gentleman from New Jersey (Mr. DANIELS), in an effort to help clarify the record, could the gentleman explain to the House or define for the House the Congressional employees as covered by a provision in title II? Just whom are we covering or for whom are we providing under the term "Congressional employees"?

Mr. DANIELS of New Jersey. Any employee of the House or Senate in the employ of the Architect and the Architect.

Mr. DERWINSKI. And I presume also the Capitol Police.

Mr. DANIELS of New Jersey. They are employees of the House and the Senate.

Mr. DERWINSKI. Are any of these employees presently entitled to annual or sick leave or other fringe benefits?

Mr. DANIELS of New Jersey. I understand and am reliably informed that the employees of the Architect are.

Mr. DERWINSKI. What about the Capitol Police? My recollection is they have their own administrative benefits of some sort. Do they not?

Mr. DANIELS of New Jersey. I am advised by my chief staff assistant that they are entitled to such benefits also.

Mr. DERWINSKI. It would seem to me, then, that we in the House are adding a dubious additional fringe benefit for these employees who are presently covered in some form for sick leave and annual leave.

I am concerned that there is unnecessary controversy over this bill basically because of the little goodies that have crept into title II. This is why the gentleman from Iowa (Mr. Gross) and I are

trying to be helpful this afternoon in straightening up this bill.

If I may refer the Members to a letter that should have reached the office of everyone yesterday, from the chairmen of the full committee and of the subcommittee and ranking minority members of the full committee and of the Subcommittee on Retirement—and these are all outstanding Members of this body—these gentlemen in their letter stated, and I quote:

Because of some earlier confusion and misunderstanding we think it is most important that the record be set straight concerning this vital piece of legislation.

Then the letter goes on to discuss title I and the provisions to which we evidently all subscribe, but it does not really provide any explanation for the so-called confusion and misunderstanding which is contained in title II.

And, Mr. Chairman, if I were cynical, I would be led to believe that perhaps it is impossible to clarify the misunderstanding and confusion which is contained in title II of the bill, because this letter from the four distinguished Members never really did it.

I wonder if we would not solve this whole problem by accepting the amendment to be offered by the gentleman from Iowa to strike title II and then send it over to the other body and thereby avoid this confusion and misunderstanding.

Mr. Chairman, I should like to point out that there is a provision contained in the bill that the amendment to be offered by the gentleman from Iowa (Mr. Gross) to strike title II would correct, but if it does not prevail, I have an amendment to strike the provision for credit for unused sick leave. The reason for this amendment is that I am greatly disturbed at this departure from the basic provisions for which sick leave was intended. Sick leave was intended to provide for a situation under which an employee who was legitimately ill would have this sick leave to use under circumstances whereby he would be endangering his health or endangering the health of his associates if he were to continue working while he was suffering from an ailment which poses a problem for himself and his associates. This is the intention. The argument that sick leave is abused, as I see it, is no argument for scrapping sick leave as such.

However, this is what we would do if we provide credit for unused sick leave. We would encourage employees who are sick to continue to work anyway. This is hardly practicable. We would create a complete departure in philosophy from the concept of sick leave. If it is impossible to administer sick leave, then the committee should adjust the administrative provisions so that sick leave cannot and will not be abused. In my opinion that would be a logical step, and I am sure if it becomes necessary for me to offer that amendment, I would receive some interesting support for it.

I also suggest, Mr. Chairman, that we have a few other items contained in title II that require consideration. One is the matter of the present highest 5-year average for annuity which the committee

proposed to be lowered to the highest 3-year average. Unfortunately, as I read the report, especially the major portion prepared by the committee itself, I find very few statistics to back up the claim that this would cause only a minor dent in the fund. I am concerned over the possible abnormal costs which are not calculated and which are not clarified in any way in this bill.

It may well be that the overall logic which has been emphasized by the gentleman from Iowa (Mr. Gross) will prevail. I think the manner in which we all could be of help to the chairman of the subcommittee and to the full committee as well as the ranking Members is to support this position, is to reconsider and strike out title II. Then we would have a fine bill which would restore at long last fiscal responsibility to this retirement fund.

Mr. FARBSTEIN. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from New York.

Mr. FARBSTEIN. Mr. Chairman, I thank the gentleman for yielding.

There is one phase in this matter that puzzles me, and that I would like to have clarified, and if the gentleman can do so I would appreciate it.

Mr. Chairman, if one were to deposit money in the bank he gets compound interest. Does the gentleman know whether or not the moneys that are contributed by the Members as part of this annuity fund earn compound interest, or straight interest?

Mr. DERWINSKI. Theoretically—and I will crosscheck with the chairman of the subcommittee—theoretically the interest should be compounded. Is that correct?

Mr. FARBSTEIN. Mr. Chairman, would the chairman of the committee join in this, if the gentleman does not mind?

Mr. DANIELS of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from New Jersey.

Mr. DANIELS of New Jersey. Mr. Chairman, in response to the inquiry, as I understand it, the funds are invested in Government securities. This morning I reported to the Democratic caucus that the funds are invested according to restrictions imposed by law, and which produce a return of 3.5 percent. And in speaking to the chief of our staff I am told that the entire portfolio today is now being broadly invested, and currently has a return of 4.6 percent.

Mr. FARBSTEIN. Compounded or regular interest?

Mr. DANIELS of New Jersey. I believe it is compounded annually.

Mr. DERWINSKI. I believe this would require further clarification. The previous year's interest income would be reinvested which, in effect, means that it is compounded.

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. SCOTT. Mr. Chairman, I yield 2 additional minutes to the gentleman from Illinois.

Mr. DERWINSKI. I thank the gentleman for the additional time, and I now yield to the gentleman from New York.

Mr. FARBSTEIN. Mr. Chairman, on the basis of compound interest, money earning 4.5 percent would double within 14 years. Does the gentleman know whether or not the funds contributed by the membership have been given credit in the fund for this compound interest, or normal doubling over a period of 14 years for those members who have been in this system more than 14 years?

Mr. DERWINSKI. Mr. Chairman, it is my understanding that the contribution of members throughout the history of this retirement fund, so far as the Members of the House are concerned, has been adequate to meet the necessary contributions to the fund, including the earned interests on the funds deposited.

Mr. DANIELS of New Jersey. Mr. Chairman, if the gentleman will yield further, to give a direct answer to the gentleman from New York, if I may, I would say if you take a specific sum of money and put it out at interest, compounded it annually at 4½ percent that in a period of 14 years it would double itself. However, in the case of contributions of Federal employees to the retirement fund they make the contributions in small semimonthly installments. They are not investing the total amount of money in one lump sum at interest for a full period of 14 years.

Mr. FARBSTEIN. Then the real question is for their small sum that they deposit, does that draw compound interest? Because if you were to take that small sum, irrespective of how small it was, and deposit it in a bank, it would get compound interest, would it not?

Mr. DANIELS of New Jersey. If I may answer the question posed by the gentleman from New York, and I believe I answered that question before, it is that the present practice today of investing the funds is for it to earn compounded interest.

Mr. FARBSTEIN. It would appear, therefore, to me—if the gentleman would yield further—

Mr. DERWINSKI. I yield further to the gentleman from New York.

Mr. FARBSTEIN. It would appear that the funds contributed by the membership under these circumstances are not being adequately compensated, so that in effect the membership in getting their pensions are not being equitably treated.

Mr. DERWINSKI. We need a technical clarification that should be provided for the record—

The CHAIRMAN. The time of the gentleman from Illinois has again expired.

Mr. SCOTT. Mr. Chairman, I yield 2 additional minutes to the gentleman from Illinois.

Mr. DERWINSKI. Mr. Chairman, I again thank the gentleman for this additional time.

As I understand it, when the funds are invested, any interest earned accrues to this fund. This in effect is compounding the interest. This is the point of the gentleman's question.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Dr. DERWINSKI. I yield to the gentleman.

Mr. GROSS. I read from section 8342 of the United States Code wherein it is stated:

(h) Amounts deducted and withheld from the basic pay of an employee or Member from the first day of the first month which begins after he has performed sufficient service (excluding service which the employee or Member elects to eliminate for the purpose of annuity computation under section 8339 of this title) to entitle him to the maximum annuity provided by section 8339 of this title, together with interest on the amounts at the rate of 3 percent a year compounded annually from the date of the deductions to the date of retirement or death, shall be applied toward any deposit due under section 8334 of this title, and any balance not so required is deemed a voluntary contribution for the purpose of section 8343 of this title.

Mr. FARBSTEIN. Has the gentleman analyzed that section which you just read?

Mr. GROSS. No, I have not. But I simply cite that section of the code for the edification of the gentleman, for whatever it is worth.

Mr. FARBSTEIN. Does the gentleman mean the contribution of the Members to the pension fund is given credit for compound interest?

Mr. GROSS. I think it does—at the rate of 3 percent.

Mr. DERWINSKI. If I may comment on that point, that furnishes another argument for possible confusion and misunderstanding about this bill and perhaps further study by the committee might be in order. All the controversy revolves around the provisions of title II and if we go ahead and pass only title I of the bill, as the gentleman from Iowa recommends, it would solve these problems?

Mr. FARBSTEIN. I posed that question to the head of the Civil Service Commission. I think it was last year or 2 years ago when the question was raised in connection with the bill that came out of the Foreign Affairs Committee dealing with this subject, insofar as Foreign Service officers were concerned. I inquired then whether compound interest was paid and I was told, no. It was only given simple interest. This is the reason I pose the question I would like to have clarified as to whether only simple interest is being paid.

Mr. GROSS. I will say to the gentleman that the Foreign Service retirement is a different retirement system.

Mr. DERWINSKI. The passage read by the gentleman from Iowa clearly states that interest is compounded subject to other conditions of the act.

Mr. FARBSTEIN. I thank the gentleman very much.

Mr. DANIELS of New Jersey. I would like to respond to the question or the statement made by the gentleman from Iowa with respect to the passage he read from the United States Code dealing with compounded interest.

My chief of staff informs me that the section to which the gentleman from

Iowa referred provides for an amount of interest charged to employees for period of service not covered by retirement deductions.

In other words, if you pay into the fund for periods of service that were previously not covered or refunded, then you have to pay a specific sum of money, with interest compounded at 3 percent per annum.

Mr. FARBERSTEIN. Of course, that puts a different phase on the matter, do you think not?

Mr. DANIELS of New Jersey. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania (Mr. NIX).

(Mr. NIX asked and was given permission to revise and extend his remarks.)

Mr. NIX. Mr. Chairman, the chairman of the Subcommittee on Retirement, Insurance, and Health Benefits, the gentleman from New Jersey (Mr. DANIELS), indeed deserves the gratitude of all Federal employees and annuitants who have a vested interest in their retirement system, for the deep concern and great courage he has displayed in dealing with a serious and complex matter which has been neglected far too long. Our colleague has described in detail the features of the committee's proposal for the future financing of the civil service retirement system, and the modest improvements in benefits proposed therein.

The real problem of retirement financing, as I see it, is primarily one of budgetary and legislative responsibility. Responsible procedures require that the full retirement system costs involved in Federal program and legislative actions be fully disclosed and the necessary steps be taken to cover those costs when program and legislative decisions are made.

It is useful, I believe, in considering the budgetary and overall financing aspects of H.R. 9825, to think of it in three basic parts.

First, current service liabilities. Each year's service by each Federal employee adds to the future benefits which the retirement system must eventually pay out. Since the employee only contributes part of these benefits through a payroll deduction, the remainder must be paid by the Federal Government.

Each man-year of Federal employment, therefore, has a retirement cost attached to it which is just as truly an employment cost as the wages and salaries currently paid out. To the extent that the sum of the Federal and employee current contribution rate covers actuarial costs, the retirement benefits covered by each current man-year of employment pay for themselves and add nothing to the unfunded liability of the retirement fund.

Second, the potential increase in unfunded liability for past service, caused by pay raises and liberalizations of retirement benefits. Every time a Federal pay raise is enacted, the retirement value, and the cost, of the past service of Federal employees is increased. After a pay raise, all the past years of service will be multiplied against a new and increased high average salary in determining retirement benefits. Automatically, the cost to the Federal Government of future retirement payments increases, and none of the increase is covered by

employee contributions. Similarly, when benefit liberalizations are enacted, or current annuitants given a benefit increase, or new groups blanketed into the retirement system, the value of future retirement payments increases. Unlike the first category—currently accruing liabilities—these costs are not related to current level of employment, but simply reflect the impact of pay raises or benefit liberalizations on past service. It is worthy of noting that each \$1 of general pay increase entails a retirement cost of \$2.55.

Third, the unfunded liability which now exists because the civil service retirement system was not adequately funded in past years. Even if the Federal and employee contribution rates were sufficient to cover fully the currently accruing liabilities, and even if appropriations were made to cover the increase in unfunded liabilities due to future pay raises or benefit liberalizations, the retirement system would still have a large and growing unfunded liability. This arises from the fact that in prior years the retirement system was not funded to cover its full actuarial costs. And since the fund is far below the full actuarial level, it foregoes interest payments each year which add still further to the actuarial deficit.

There, then, are the three major financing aspects of the retirement fund, and each of these aspects is covered by this legislation, in the light of sound budgetary and financial principles.

It is essential to good budgeting that each Federal program be judged and evaluated in the light of its full costs. Each man-year of civil service employment represents a cost to the Federal Government, not only in terms of direct wages and salaries, but also in terms of what that man-year of employment adds to the cost of the retirement system. Federal agency contributions, together with employee contributions, should therefore cover the full amount of what each current year's service by a Federal employee adds to retirement costs.

At the present time, the normal cost of each year's service by a Federal employee amounts to 13.86 percent of his salary. Further changes in the system recommended by the Committee on Post Office and Civil Service will raise normal cost to 13.99 percent. The combined agency-employee contribution amounts to 13 percent, almost a full percentage point lower than full-cost coverage would require. As a consequence, the bill specifies a contribution rate of 7 percent for Federal agencies and 7 percent for employees, to cover the full normal cost of present benefits and those contemplated in this legislation, beginning in January 1970.

It is emphasized that requiring employees to share the normal cost on an equal basis does not mean that employees are paying half the cost of the retirement system. Continuing improvements in salary rates and benefit liberalizations have increased—and undoubtedly will continue to increase—the retirement value of past service, whose cost the Federal Government bears fully.

The principle of full-cost coverage for

currently accruing service liabilities is not so much a matter of financing, but of full-cost disclosure. We ought to know what the full costs of any Federal program are. Even if the entire Federal retirement system were on a pay-as-you-go basis, principles of good budgeting would require that in making evaluations of Federal programs we "impute" a retirement cost of each Federal employee hired.

Of equal importance is that aspect of funding which relates to increases in past service liabilities. Here again, full-cost disclosure is important. When the Executive considers, for transmission to Congress, and when the Congress itself considers pay increase or benefit liberalization legislation, these considerations should be based on a full awareness of the future costs to the taxpayer of the increased retirement payment which will result from the proposed actions. Every pay raise and benefit liberalization has a price tag for increased retirement payments on past service. Those additional payments will be a cost to the taxpayer. The price tag should be known and action taken to meet it each time legislation is proposed and enacted. H.R. 9825 makes provision for handling this situation by amortizing such additional costs by appropriation payments into the fund scheduled to relatively coincide with outflow from the fund.

Of paramount importance is that aspect relating to the unfunded liability which has already been incurred, and to be further incurred, by failure to practice full-cost funding in prior years. As pointed out in the committee's report on this legislation, the system's existing multibillion unfunded liability, while being substantially affected by consistent liberalizations, recurring salary increases, and annuity adjustments, is largely attributable to the loss of interest on the deficiency—an amount that today approximates \$2 billion annually.

The board of actuaries of the civil service retirement system has repeatedly recommended that the Government, with respect to the system's deficiency, do no less than appropriate the amount of accruing interest thereon. The committee does, indeed, concur with the actuaries that the existing unfunded liability should not be allowed to continue to soar by reason of the system's not being fully funded in terms of complete actuarial costs. H.R. 9825 provides for minimizing further loss-of-interest growth, and for the stabilization of those deficiencies within the next decade.

Mr. Chairman, the Government's financial obligation is clear. The Government's recognition of, and action to meet, that obligation is imperative. The situation has been studied intensively during the past few years by the Civil Service Commission, the Bureau of the Budget, the Cabinet Committee on Federal Staff Retirement Systems, and the board of actuaries and has been discussed extensively with congressional committees. It is time, now, that Congress face the problem realistically and adopt a definite program to meet that problem. Such a program is offered in this bill. I urge this body's full support and unanimous adoption of H.R. 9825.

Mr. SCOTT. Mr. Chairman, I yield 10 minutes to the gentleman from Maryland (Mr. HOGAN).

Mr. HOGAN. Mr. Chairman, as a member of the Post Office and Civil Service Committee and the Subcommittee on Retirement, I am pleased to rise in support of H.R. 9825. I am also privileged to be a cosponsor of H.R. 9825. I support it fully and urge its prompt passage here this afternoon.

In brief, Mr. Chairman, what we are doing here today is finally facing up to the unpleasant fact that a most vital Federal employee fringe benefit—one which holds the promise of the future for many millions of persons—faces complete bankruptcy.

The civil service retirement fund is now \$58 billion in the red. This unfunded liability is growing automatically by more than \$2 billion every year, and by 1975 expenditures from the fund will exceed annual income. If the action we contemplate here today is not taken, the cash balance in the fund will be totally exhausted by 1988, and, thereafter, in order to meet our responsibilities and obligations under the retirement program we will have to make direct appropriations beginning with \$3½ billion a year, escalating upward to \$5 billion a year at the turn of the century.

The present fiscal crisis facing the retirement fund is the result of many years of inadequate financing, neglect and mismanagement. While Federal employees have always paid their full fair share of retirement costs set by law, the Government itself has not done so.

It is true that monies have been appropriated to the fund from time to time in the past; but the Government's share of retirement costs has not always been paid regularly and systematically, or in amounts sufficient to meet its share of operating the program. And, in addition, over the years the Congress has enacted many benefit liberalizations which were never adequately financed.

Consequently, it is extremely imperative that we now act to put the retirement fund on a sound financial basis as contemplated by the provisions of H.R. 9825. If we do not, the situation can only get progressively worse and become even more difficult to resolve.

Mr. KEE. Mr. Chairman, the remarks the gentleman is making are so extremely important and germane to the bill as to require me, for the first time in my service in Congress, to make the point of order that a quorum is not present.

The CHAIRMAN. Evidently a quorum is not present. The Clerk will call the roll.

The Clerk called the roll, and the following Members failed to answer to their names:

[Roll No. 118]

Addabbo	Conte	Hanna
Alexander	Culver	Hansen, Idaho
Ashley	Daniel, Va.	Hastings
Baring	Diggs	Hawkins
Belcher	Evins, Tenn.	Hébert
Blaggi	Fallon	Henderson
Blackburn	Feighan	Howard
Blanton	Fish	Joelson
Boland	Flynt	Kastenmeter
Broyhill, Va.	Fountain	Kirwan
Carey	Frey	Landrum
Celler	Fuqua	Lipscomb
Chisholm	Gray	Long, La.
Clark	Gude	Long, Md.
Clay	Halpern	McClory

MacGregor	Randall	Stanton
Mahon	Rees	Stuckey
Mayne	Reid, N.Y.	Taylor
Minshall	Riegle	Teague, Calif.
Moorhead	Rooney, Pa.	Teague, Tex.
Murphy, N.Y.	Rosenthal	Thompson, N.J.
O'Konski	Ruppe	Weicker
O'Neal, Ga.	Scheuer	Widnall
O'Neill, Mass.	Sebelius	Winn
Ottinger	Sikes	Wylder
Powell	Sisk	
Price, Ill.	Smith, Calif.	

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McFALL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill H.R. 9825, and finding itself without a quorum, he had directed the roll to be called, when 353 Members responded to their names, a quorum, and he submitted herewith the names of the absentees to be spread upon the Journal.

The Committee resumed its sitting.

The CHAIRMAN. The gentleman from Maryland (Mr. HOGAN), has 7½ minutes remaining.

Mr. HOGAN. Mr. Chairman, I thank the distinguished gentleman from West Virginia (Mr. KEE) for his generous remarks.

I attended the hearings on this measure and, from the expert testimony I heard, it was clearly evident that there is an immediate need to overhaul and improve the funding and financing practices of the civil service retirement system.

The urgency of prompt enactment was best attested to by the distinguished Chairman of the Civil Service Commission, Robert E. Hampton, during the hearings, when he said that the retirement fund is now losing \$2 billion in interest each year due to the failure of the Government to make all of its authorized contributions.

Mr. Chairman, this is admittedly a very complex piece of legislation. However, I think it is extremely important to point out that the major financing proposals contained in the bill were carefully worked out with, and have been approved by, the Bureau of the Budget, the Department of the Treasury, the Comptroller General, and the Civil Service Commission. These are the agencies which will be committed to any financing plan which we enact and their complete and unequivocal support and endorsement are imperative to the successful implementation of the bill. H.R. 9825 is a giant step forward in fiscal responsibility. It would solve the finance problem by a three-step method:

First. The full normal costs of present and future benefits which would be paid currently through matching agency and employee contributions would be increased from 6½ to 7 percent.

Second. The Government would be authorized to cover in 30 equal annual installments all increases in the Government's obligations created by new legislation, such as pay raises and benefit liberalizations.

Third. The Government would fulfill its obligations created by laws already in effect by gradually increasing appropriations which would eventually replace the interest being lost by the retirement fund.

In essence, H.R. 9825 represents our commitment that the integrity of the civil service retirement system will be maintained and that there will always be enough money in the retirement fund to permit payment of all benefits—in full and on time—to all past, present, and future Federal employees.

In addition to the financing changes, there are several proposals in the bill that would result in improvements in benefits for civil service retirees. Annuities would be computed on the high 3 years, rather than the current high 5 years, of average earnings. The calendar value of unused sick leave would be included for the purpose of determining length of Federal service. At the present time, unused sick leave goes down the drain when an employee leaves the Government service.

An additional 1 percent would be added to all future cost-of-living increases to compensate for the usual 5-month delay in granting these increases. To me, this is only fair.

Finally, certain inequities would be removed regarding the annuities of surviving spouses.

Mr. Chairman, I support these benefits because I feel that the Government should lead, rather than follow, private industry in providing such benefits to employees. I think these benefit increases are absolutely warranted and will fill a legitimate need of Federal employees.

While I enthusiastically support H.R. 9825, I would like to take this opportunity to point out to the Members that a very serious inequity in the retirement coverage of many thousands of our dedicated employees remains uncured by this bill. I refer to the exclusion of overtime and premium pay for the purposes of computing annuities.

H.R. 9743, which I introduced on April 1 of this year, would correct this deficiency. Provisions similar to my own bill were in the retirement bill which passed this House last October and in the original bill, H.R. 770, which our committee considered earlier this year. It is a source of disappointment to me that the provisions were not included in the bill before us today.

At the present time, Mr. Chairman, we have large numbers of Federal employees who, because of the very nature of their employment are required to work a considerable amount of overtime. Some of these employees are the customs inspectors, border patrolmen, Weather Bureau employees, FAA traffic controllers, and Government Printing Office employees.

These employees receive overtime pay and premium pay for their overtime, but the amounts of such overtime are excluded from their total gross pay when computing retirement annuities. The consequence is that an employee approaching retirement who has established a certain standard of living by reason of his consistent overtime, finds that he goes into retirement at an annuity which is much lower in relation to his final salary than do other Federal employees whose occupations do not require that they work a considerable amount of overtime. The employee who has worked long enough to earn the maximum an-

nuity of 80 percent of base pay finds that his standard of living is not reduced by 20 percent, but a much larger percentage due to the fact that the 80 percent is not computed on the basis of his gross salary.

The crediting of overtime and premium pay does not entail any additional normal cost in view of the fact that both the employee and the agency would be contributing the customary 6½ or 7 percent into the retirement fund. I sincerely believe, and I know that many who have studied the retirement program share my view, that total gross pay earned by an employee for his personal services should constitute the basic compensation for retirement purposes.

While the bill before us today does nothing to correct this serious inequity, I am hopeful that my own bill, H.R. 9743, will be acted upon separately by the committee and the Congress in the very near future.

Sometimes there seems to be a prevalent attitude which considers the Federal employee as a "stepchild" of America's work force. Yet, the very structure of government would cease to function if it were not for these loyal and devoted civil service employees. Having been a long-time Federal employee myself, I can attest to the work done and to the contributions made by our Federal workers. These employees are an integral part of America's productive strength and they play a vital role in our progress.

Therefore, I believe that we would be remiss in not voting for this measure which would recognize the contributions of these employees, correct inequities in the current system, and avoid potential hardships which would result from the financial chaos which will occur if the financial problems inherent in the system at the present time.

Mr. Chairman, I urge my colleagues to do what is right and equitable for our Federal workers by enacting H.R. 9825 without amendment.

Mr. DANIELS of New Jersey. Mr. Chairman, I yield 5 minutes to the gentleman from New York (Mr. HANLEY).

(Mr. HANLEY asked and was given permission to revise and extend his remarks.)

Mr. HANLEY. Mr. Chairman, I am pleased to support this measure designed to strengthen the financial condition of the civil service retirement system—a program in which all Federal civilian employees and retirees, and their families, have a vital stake.

All of the Government's several staff retirement systems are costly and, even without the liberalizations advocated by employees and retirees, costs are soaring. Benefits already earned but not yet payable will, in a few years, require additional appropriations amounting to billions of dollars annually. Rising costs of living, to which benefit adjustments are now tied by law, will add billions more to the future liability. So will future salary adjustments. Retirement system financing has, therefore, become a major problem to executive branch officials and to Congress, as well as a matter of serious concern to thousands of individuals who fear that the economic security they have

been counting on for their old age is slipping away.

Against this general background, facing the need for decision on a specific financing proposal is imperative. Methods of financing and funding Federal retirement systems vary: Some are contributory, some—technically at least—are noncontributory; some are fully funded, some partially funded, and some are pay as you go. While disagreement continues unresolved over the extent to which the individual employee should share retirement costs, and over the best approach to financing, methods of resolving these problems will have a tremendous impact on the budget of the Government.

Clearly, no one social or economic philosophy can adequately explain all of the changing currents of the retirement movement. The society in which the civil service retirement system was originally designed was relatively static; today's society is characterized by a dynamism that we have not yet learned to assess adequately, much less cope with, and the system shows the strains of the continuing effort to accommodate to this dynamism.

It attempts to cope with a particular set of employment conditions specific to most, but not applicable to all, who serve the Nation's largest and most diversified employer; it must continue to meet those special conditions if retirement is to serve its purpose for these employees and make a positive contribution to the Government's missions.

It attempts to balance divergent interests, accommodate conflicting values, and adjust to continually changing manpower needs and policies; it must continue to do so because that is what our democratic system demands of its public institutions.

It is costly because, despite its various inadequacies, it is essentially generous; it must remain so if the Government is to be a responsible employer.

The public hearings held by the Subcommittee on Retirement, Insurance, and Health Benefits, together with the considerable volume of correspondence it received, presented an opportunity to give appropriate consideration to a number of topics for study. Our major findings and recommendations are summarized in the committee report accompanying this legislation.

The provisions for financing and funding the civil service retirement system has been designed so as to first, require Government and employees to share normal costs, including those resulting from the liberalization of benefit provisions; and, second, to identify clearly and recognize Government's responsibility for other costs, including those for past service liability and those for post-retirement adjustment of benefits; and also to provide for maintenance of the retirement fund at a level sufficiently high to assure that all retirement benefits can be paid promptly as they fall due.

This legislation will completely cover normal cost, will automatically neutralize prospective causes of future financial deficiencies as they occur, and ultimately will stabilize the existing unfunded li-

bility of the program. The mechanics of the legislation will require virtually full disclosure of retirement costs and explicitly allocate responsibility for such costs to, first, employees and agencies jointly; second, agencies only; and third, Government, as distinct from agencies.

Mr. Chairman, in order that there is no question as to the ability of the civil service retirement system to fulfill its future obligations to Federal employees and annuitants, I urge the adoption of H.R. 9825.

Mr. DANIELS of New Jersey. Mr. Chairman, I yield 5 minutes to the gentleman from New York (Mr. BRASCO), a member of the committee.

(Mr. BRASCO asked and was given permission to revise and extend his remarks.)

Mr. BRASCO. Mr. Chairman, I rise in support of H.R. 9825. First, I wish to commend the distinguished chairman of the Subcommittee on Retirement, Insurance, and Health Benefits, the gentleman from New Jersey, Congressman DOMINICK V. DANIELS, for the leadership he has demonstrated in bringing before the House a bill which embodies the subcommittee's major legislative effort of the last session of the 90th Congress, and its initial legislative endeavor of the 91st Congress. The bill was reported by both the subcommittee and the full Committee on Post Office and Civil Service without a dissenting vote.

Mr. Chairman, I wish to emphasize that within 6 years, we will be paying out more than present financing methods bring in. I emphasize that within 18 years the fund balance will have dropped from the present \$20½ billion to zero. Unless appropriations of billions of dollars are then made in full, and on time, each and every year thereafter, we will be unable to pay retired employees and their survivors the benefits they have earned through years of dedicated service, and upon which they are counting for support in their old age.

Nonreceipt, or even delayed receipt, of their annuity checks would be extremely serious for thousands of these elderly persons, many of whom have no other source of income. We would be delinquent in our responsibility, I say to the Members of this Congress, if we did not insist upon timely and effective congressional action to assure that such a situation does not occur.

During the course of this debate I have heard title II of this bill described as controversial and described as a Christmas tree ornately decorated with light bulbs and tinsel. Now, I have great respect and admiration for the integrity and intelligence of both of the members of the committee who described title II of this bill in that manner. Certainly it is with great trepidation that I pursue a path which would be directly opposite to their line of thinking. I do not know of any Federal employee who is living high on the hog today. I do not know of any Federal employee who has been able to bring his family up in dignity and decency. I certainly do not know of any retired Federal employee who can maintain that retired status in the manner we ought to want them to have in their twi-

light years. Among the Federal employees I know are those from New York, among them the post office employees, clerks and carriers, who start out at less than \$6,000 a year and after a long period of 21 years make less than \$8,000 a year. I think it is certainly fitting that some of the benefits in title II which are due to these dedicated employees be granted in this legislation.

I would like, if I may, now to go over what these benefits consist of. We heard one distinguished member of the committee concern himself with the fact that unused sick leave would be used in the formula to arrive at one's annuity payments. We have had testimony before the committee from the Civil Service Commission in which they stated that about one-third of those retired are retired by virtue of disability. That means they are directed by the Civil Service Commission to take all of their unused sick time. That means also that they are on the payroll for full salary and during that period they are charged against the agency's service list, so that no other manpower can be provided for that slot. We find—and the Civil Service Commission has so testified—that the difference between the one-third and up to 50 percent of those people who are not disabled but are retired are at a stage in their life when they are sick. So they are in the same position.

The last 50 percent forfeits, yes, forfeits some of its unused sick time. But I think that this legislation would represent a great deal of incentive in marginal cases to have Federal employees preserve their unused sick leave.

Then, Mr. Chairman, we come to the 1-percent cost-of-living increase. I do not believe there is any Member of Congress who would disagree that this is necessary for our retired civil service employees today.

The CHAIRMAN. The time of the gentleman from New York has expired.

Mr. DULSKI. Mr. Chairman, I yield to the gentleman from New York 2 additional minutes.

Mr. BRASCO. Mr. Chairman, then we come down to the next great benefit and I guess this one is the one with all of the tinsel, to restore to widows their rights of survival annuities. During the course of any man's employment when he is married, one of the foremost thoughts in his mind is to provide for his surviving spouse, and he pays for that. In some instances many men will retire at reduced benefits only to continue the survivorship benefit for their wife. Are we going to take that away from him because a woman decides to remarry and perhaps remarries a man who is earning only a meager income? Mr. Chairman, do we say that this is tinsel and a type of a Christmas tree provision?

Then, Mr. Chairman, we have the next provision in which we take the 5-year average on which we basically compute retirement down and reduce it to 3 years.

It is interesting enough, and I would agree with the gentleman from Pennsylvania (Mr. CORBETT) when he says that all of this is being paid for by the Federal employee when we increase their rates paid into the fund from 6½ to 7 percent. I agree that is accurate.

Mr. Chairman, there is one thing that may cause some controversy and that is the fact that Members of Congress may be included in this provision. I understand there is going to be an amendment offered today to have Members of Congress taken out of this 3-year provision. You know something, I have been around here not very long, but long enough to be sort of tired, respectfully so, but tired of listening to that old song, "Your Lips Tell Me No, No, But There Is Yes, Yes, in Your Eyes."

Mr. Chairman, Members come here constantly and vote against benefits for Members, but as soon as such benefits are voted, run to the disbursing office to collect their benefits.

Mr. Chairman, I think there should be some kind of distinction between those who are voting against these benefits for Members, not because they are not entitled to them, but vote against them only because they may receive the benefit in the end.

The CHAIRMAN. The time of the gentleman from New York has again expired.

Mr. DULSKI. Mr. Chairman, I yield the gentleman one-half additional minute.

Mr. BRASCO. Mr. Chairman, I was going to suggest that anyone who has such an amendment might draft the language in this way so that we will once and for all dispense with this kind of demagoguery and do away with the national pastime of "let us kick the Members of Congress around." I suggest that we could do this through an amendment by providing that any Member of Congress within 31 days after this act becomes effective may just write a letter to the disbursing office authorizing them to compute his retirement benefits on a 3-year period instead of 5, so we can honestly separate those who favor the provision and those who do not.

Mr. ANDERSON of California. Mr. Chairman, will the gentleman yield to me?

Mr. BRASCO. I yield to the gentleman from California.

Mr. ANDERSON of California. Mr. Chairman, H.R. 9825 is a most important piece of legislation, for until the refinancing provisions of this bill go into effect, we do not have a sound financial base for the civil service retirement fund.

I have, in the past, indicated my support for this vital legislation by introducing an identical bill, H.R. 10219. A major reason for my interest in generating support for this bill is because the legislation provides for an additional 1 percent to each future cost-of-living increase and, as my colleagues in the Congress well know, the way things are moving now it appears another cost-of-living increase will soon be due. We simply cannot afford to allow our Federal employees and public service workers to fall further behind in the inflationary spiral we are presently experiencing.

We simply cannot afford to delay this measure any longer. In reporting the fiscal 1970 independent offices bill, I remind my colleagues that the House Appropriations Committee declared:

The committee again calls attention to the fact that the deficit in the Civil Service Re-

tirement and Disability Fund continues to increase. The deficiency is estimated at \$57.6 billion at June 30, 1969, and the fund will be paying out more than it is taking in by 1975 unless sound financing is provided for.

The many reports, telegrams, letters, and personal conversations I have had on this matter requesting a favorable vote leave me in no doubt as to what course the Members should take this afternoon on this bill.

I stress the great need for our prompt enactment of H.R. 9825 today in order to strengthen and maintain the viability of our civil service retirement system.

Mr. DULSKI. Mr. Chairman, I yield 3 minutes to the gentleman from Hawaii (Mr. MATSUNAGA).

(Mr. MATSUNAGA asked and was given permission to revise and extend his remarks.)

Mr. MATSUNAGA. Mr. Chairman, I rise in support of H.R. 9825, a dual-purpose bill which would strengthen the financial condition of the civil service retirement system and at the same time provide certain needed improvements in the employee benefits structure of the retirement system. H.R. 5831, a bill that I introduced, is similar to the one we are now considering.

As a former member of the House Post Office and Civil Service Committee, I am keenly aware of the fact that the financing of the civil service retirement system has been a continuing problem for many years. For too long a period, the reports of the actuary have been pessimistic. In 1958, for example, the unfunded liability of the program was about \$18.1 billion, and over the ensuing years it has risen so that by the end of this month, upon full implementation of the latest salary statute, the deficiency will exceed an estimated \$61 billion. The dire prediction has been made that if no changes are made in the law, the civil service retirement and disability fund will have a zero balance in about 18 years. It was in this climate that the House Post Office and Civil Service Committee considered and reported out a predecessor bill, H.R. 17682, in the last Congress.

On October 1, 1968, the House passed that bill without a dissenting vote. That bill was the result of careful and extended study by the committee in conjunction with the Civil Service Commission, the Bureau of the Budget, and the General Accounting Office. I regret that the other body did not have an opportunity to consider the bill. Like the bill we are now considering, H.R. 17682, presented a rational approach to financing the civil service retirement program. In addition, it would have made several worthwhile improvements in the benefits provided.

No one can honestly deny that the financial reforms provided in H.R. 9825, the bill now under consideration, are urgently needed. In the current fiscal year the unfunded liabilities of the program will rise by about \$1.9 billion due to the interest that accrues. If enactment is put off for another year, there will be a similar increase in fiscal year 1971. Now is the time to put a stop to this unwanted growth in needless cost to the taxpayer.

Mr. Chairman, in the current budget-conscious year, we have heard from some

quarters that we ought to preserve the financing features of H.R. 9825 while dropping the employee benefit improvements. I would like to point out that title I and title II of the bill supplement each other and are integral parts of the whole legislative package. The employee benefits provided under title II are long overdue. The cost of their enactment will be fully covered by the new combined employee-employer contribution rate of 14 percent of payroll provided under title I.

The employee benefit provisions, encompass such improvements as the reduction in the average pay computation period from 5 to 3 years, the credit for unused sick leave, the one percent increase in future automatic cost-of-living percentage adjustments, the deletion of the 15-year limitation from the congressional employee computation formula, and the reinstatement of a remarried widow's annuity without regard to the time her husband died or retired. These are all needed modernizations that do not in any way thwart our effort to strengthen the financing provisions.

Mr. Chairman, there is very little need to engage in lengthy debate today over these provisions of the bill. The need is present and clear. The House in the 90th Congress demonstrated its understanding of these problems and recognized the worth of the proposed solutions. There is no reason why we should not take the same course today with respect to this long overdue legislation.

Mr. SCOTT. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania (Mr. DENT).

(Mr. DENT asked and was given permission to revise and extend his remarks.)

Mr. DENT. Mr. Chairman, there has been a great deal of interest in this legislation, and any legislation dealing with pensions in the last 3 or 4 years, and as chairman of the General Subcommittee on Labor, I have had the responsibility of the Welfare and Pension Funds, Reporting and Disclosure Act. This act covers the affairs and trusts and the operations of approximately 1,255,000 separate pension funds in the United States.

I have not had an opportunity to look at the whole million or so funds, but I can say to the Members that the highest contribution of any contributor to any of the funds we have studied is the contribution made by the Members of the Congress into the congressional fund.

The trouble with this fund is that it is mixed up in the whole general funding picture of the GSA, or the regular civil service employees retirement, but the truth of the matter is that the soundest pension fund that has come to our notice is the pension fund of the Members of the Congress of the United States.

I can understand why certain Members harbor a false premise on this particular situation of the pension fund in the Congress, because of a great deal of misinformation on pension funds in general, and especially those that attach themselves to Members of the Congress in this instance.

There is a serious problem that we ought to be looking at. We ought to be looking at it because in the days when I was investigating this particular pension fund of ours, in line with other pensions, I received a great number of letters from former Members of Congress who in detail gave me the problems they faced after they left the Congress, after having served here for 10 or 20 years or 15 years, and they found themselves completely away from whatever profession they may have had or whatever business they may have had.

If that was true in those days—10, 12, or 15 years ago, how much truer is it today when the Congress finds itself in the position of being a fulltime job, practically.

I do not know how the rest of you may be able to carry on your affairs at home, but I have not been able to and I have had to give up all my other business and activities. I am strictly a Member of the Congress of the United States 7 days a week. For that matter I doubt if anyone could actually say that he is not called upon, at all times like a good general practitioner in medicine.

However, I want to get down to the basic fundamental principle of pension legislation—not this particular legislation—but legislation dealing with pensions for the Members of Congress.

First of all, because of the fact that you have to serve 32 full years in the Congress to get the maximum pension allowance under the law, it forces the Members of Congress who, after being here for 10 or 12 years, have to stay to the end of their endurance and the will of the people. Many of us know that Members of Congress reach a certain age where I am sure they ought to be retired and should be retired and should have the inducement to retire.

Some of us worked out what we thought was a reasonable plan. There would be no less paid into the pension fund by Members but it would be paid in a shorter number of years and would allow retirement after a shorter number of years of service.

It is not a question of whether a person is able to serve when he is 78 or 79 years of age—it is a question as to whether he ought to be serving. We are all creatures of habit and we form certain habits and policies and opinions over the years—and they never change.

I hate to say this, but a great number of Members of this Congress who were here back in 1932 and 1933 and 1934 and 1936 are still fighting the old depression. There has been so much water over the dam since then and they are still talking about trade relations of the days of the horse and buggy when we just flew men to the moon the other day.

In other words, we become creatures of habit and form habits and opinions and we follow them—and we follow them more so in our later days when we do not have that vim and vigor or the notion to do any new thinking.

Let me just give you some facts that are very important. I want these facts to be understood for what they are. These are the actual facts of the pension plan of Congress.

First of all, anybody who conceives the idea or who thinks you can make a Government plan actuarially sound using the private insurance company basic figures is just simply out of any rational mind that he may have. It is impossible because any contract that is made with a private insurance company for annuities is based upon a contract that is not changeable during the lifetime of that contract.

You cannot compare the Federal pension to a regular pension system, simply because in the Government pension system we increase the benefits without adding contributions because all of those who are already retired receive benefit increases and do not contribute into the fund.

We have changed this fund in such a way that we have added enough extra cost to it so that even if we were to triple or to quadruple the amount of the contribution, it would not be actuarially sound in future years, as the private insurance companies figure it out.

It is also true that insurance companies as a group have greater earnings, more holdings, and more money in mortgages than any other business enterprise.

On the other hand the Government is not in the business of exploitation for profit and the Government fund should only be self-sustaining, not profitable.

The reason I make that statement is because it proves itself out mathematically and it proves itself out practically. For example, in 1947 we started this fund, and during that period of time the Federal Government was supposed to contribute its matching fund with ours. However, for the first 9½ years the Federal Government did not pay 1 cent into this fund, and at the 9½-year mark, it paid a half a year. Then it paid the next 10 years, according to the figures received from the Bureau in 1967. During that period of time our average annual income from investments, or parts of it, averaged less than 3 percent per year. If this money had been put out at 4½ percent under a prudent investor's rule, and if the fund were run like any other intelligently run fund, the fund for the Members of Congress would have over \$26 million over and above the amount of money that was required to pay out all claims.

In respect to claims, a Member of Congress who retired in 1955 received \$180 a month in 1955. To be accurate, so that there will be no question of the facts that Member—and I will give you his name if you so desire—now receives \$259 a month. Mind you, if you had an actuarially sound plan, and you based it upon the idea of being actuarially sound, you could not pay him \$259 a month. He would still have to receive \$180 a month. But we have generously added widows and others without funding. We have generously added other benefits for non-contributing Members into the fund, and the Members of Congress have paid for it.

Federal judges pay nothing into the fund but get full retirement benefits. The military has the same setup.

As of 1967 the facts were clear. Preliminarily, I would like to point out that

there is one thing you must always remember. Political expediency and common justice seldom sleep together. They are very strange bedfellows.

We have added all of these extras. We are paying for them out of the fund, without matching contributions, or contributions being made out of the general fund. That is where these added benefits should come from since they are not benefits for the contributors. We are paying for them out of our pension fund. We are paying enough in our pension fund, as of the last figures available, to take care of the original program, but I would like to point out that the facts simply put are as follows:

First. The Members' pension is sound and is solvent as a pay as you go with a surplus as of the end of 1967 of over \$12,900,000 over and above all charges and costs against it, since its inception in 1947.

Second. The Federal Government

never met its matching requirements for the first 10 years and in the 11th year, 1957, it met only 50 percent of its matching and yet the Members' contributions were high enough to meet all claims against the fund and still have a reserve of \$3,227,000 for the 11-year period.

Third. During all these years—1947–67—the fund earned less than 3½ percent interest per year for a total of \$3,114,000 as against a total of \$10,508,000 if the Government had met its matching requirements and the fund had earned 5-percent annual interest.

Fourth. The fund would have a surplus of over \$25,008,000 instead of \$12,915,000 if the Government had paid its share as all other employers do on a matching basis.

This shows the amount of surplus over costs for the full retirement system of the Federal Government with the exception of free pensions to Judges, and special categories:

INVESTMENT OF THE RETIREMENT INCOME

Type of security issue and interest rate	As of Dec. 31, 1966, investment (at par) (in thousands)		Rate of interest	As of Dec. 31, 1967, investment (at par) (in thousands)	
	Amount	Percent		Amount	Percent
Special, 2½	\$585,000	3.46	2½	\$200,000	1.11
Special, 2½	3,677,140	21.73	2½	3,148,359	17.43
Special, 2½	1,009,576	5.97	2½	869,014	4.81
Special, 3¼	1,295,200	7.65	3¼	1,234,224	6.83
Special, 3¼	2,104,888	12.44	3¼	2,024,661	11.21
Special, 4½	4,243,254	25.07	4½	1,400,780	22.71
Special, 4½			4½	1,758,171	9.74
Special, 4½	1,907,732	11.27	4½	1,867,040	10.34
Special, 5	63,072	.37			
Special, 5½	117,876	.70	5½	43,004	.24
Special, 5½	279,199	1.65	5½	517,468	2.87
Total, ² 3.681	15,282,937	90.31	² 3.885	15,762,721	87.29
Public, various ¹ 4.246	1,640,403	9.69	² 4.463	2,295,953	12.71
Grand total ² 3.736	16,923,340	100.00	² 3.959	18,058,674	100.00

¹ Amounts invested since Oct. 4, 1961, under the 1961 Law.

² Average rate, weighted by face amount at each rate.

Note: Public Law 87-350, approved Oct. 4, 1961, changed the basis for future investment of the retirement fund with respect to special issues from an average coupon to an average market yield basis. It also provides for the redemption of investments made under the old basis and their reinvestment under the new basis over a 10-year period.

The calls and letters to Members by retirees—voluntary and otherwise—at test to the willingness of Members to pay more to get more in pensions and insurance plans. The following is quoted from one of many letters from former Members:

As you know, I was elected to Congress in 1934 and served until 1947, with the exception of 1943 to 1945.

It was my privilege to be a Member at the time the so-called Congressional pension or annuity was adopted in 1946. Our salary was then \$10,000 per year. We should have had an increase in salary long before that time, but we were thankful for the passage of the pension act.

Even though we former Members are not on the payroll, as such, we are called upon to render service because of our former Membership. Our opinions are sought after because of that standing. One does not realize the number of times this happens. We are happy to render such service; however, I feel that our pension or annuity is inadequate.

Of course, I fully realize that our contribution of 5% of our salary, based on our basic salary of \$10,000, was voluntary and was paid back to the time of our entry into Congress, and it was the best we could expect to pass at that time. My pension or annuity began in May 1955 when I became 62

years old at the rate of \$180 per month or \$2,160 per annum and has risen to \$259 per month or \$3,108 per year because of the increase in the cost of living.

You will note that his pension has increased 33½ percent without any contributions. The serving Members of Congress paid for this increase out of their contributions since no appropriations were provided for the increases.

This is another reason we cannot make the fund actuarially sound.

Following is a list containing the history of retirement legislation:

HISTORY OF LEGISLATION AFFECTING RETIREMENT OF MEMBERS OF CONGRESS

1. Act of January 24, 1942, Public Law 77-411, extended retirement coverage to Members of Congress.

2. Act of March 7, 1942, Public Law 77-490, removed Members of Congress from coverage under the retirement system.

3. Act of August 2, 1946, Public Law 79-601, extended retirement coverage to Members of Congress.

4. Act of June 19, 1948, Public Law 80-707, allowed a Member leaving his office to enter the armed forces during a war or national emergency, upon returning as a Member, to have the time spent in the military credited toward retirement, with no contribution to the retirement fund.

5. Act of April 4, 1953, Public Law 83-18, eliminated the 30-day waiting period for joint-and-survivorship-annuity elections by Members.

6. Act of March 6, 1954, Public Law 83-303, liberalized Member's retirement provisions with respect to creditable service, conditions for retiring, amount of annuity, and death benefits.

7. Act of August 31, 1954, Public Law 83-730, provided that Member's annuity title could arise only if at least 1 year within the 2-year period next preceding Member's separation was served subject to the retirement law.

8. Act of August 11, 1955, Public Law 84-369, added a benefit for Members, separated July 1, 1955 or later, who had prior Government service other than as Member. Also permitted use of prior Member service in computing annuity upon retirement from non-Member employment.

9. Act of June 4, 1956, Public Law 84-556, waived 1-out-of-2 requirement in case of Member's death in service.

10. Act of July 31, 1956, Public Law 84-854, completely liberalized, revised and re-enacted the civil service retirement law with respect to all types of covered personnel, including Members.

11. Act of June 21, 1957, Public Law 85-58, liberalized the commencing date of annuities for survivors of Members who died subsequent to April 1, 1956 and prior to October 1, 1956.

12. Act of June 29, 1957, Public Law 85-65, liberalized the commencing date of annuities for survivors of Members who died on or after January 1, 1957.

13. Act of June 25, 1958, Public Law 85-465, provided annuity increases to retired Members or their survivors who were receiving or entitled to receive annuity on August 1, 1958, based on service terminated prior to October 1, 1956.

14. Act of August 14, 1958, Public Law 85-661, provided for payment of Member's voluntary contribution accounts prior to receipt of any additional annuity resulting therefrom.

15. Act of August 27, 1958, Public Law 85-772, provided annuity protection for survivors of employees who are elected or appointed as Members of Congress.

16. Act of July 7, 1960, Public Law 86-604, liberalized Members retirement benefits with respect to refund rights, annuity eligibility, deferred annuity and re-employment of former Members.

17. Act of July 12, 1960, Public Law 86-622, liberalized Members retirement benefits with respect to excess contributions, deferred annuity, immediate reduced annuity upon involuntary separation and survivor annuity.

18. Act of September 6, 1960, Public Law 86-713, accelerated the commencing date of Members annuities and the annuities of their survivors.

19. Act of July 31, 1961, Public Law 87-114, made permanent authorization for payment of annuity increases authorized for Members and their survivors by the Act of June 25, 1958.

20. Act of October 4, 1961, Public Law 87-350, liberalized the restoration to earning capacity provision of the retirement law relative to Members who retire on account of disability.

21. Act of October 11, 1962, Public Law 87-793, liberalized Members' survivor benefits and provided annuity adjustments to retired Members and survivors of Members.

22. Act of September 27, 1965, Public Law 89-205, as amended by the Act of November 1, 1965, Public Law 89-314, provided cost-of-living annuity adjustments to retired Members and to survivors of Members.

23. Act of July 18, 1966, Public Law 89-504, liberalized Members' survivor benefits for student-children and provided survivor annuity increases.

24. Act of December 16, 1967, Public Law 90-206, liberalized Member's maximum basic annuity at 80% of the final pay of an appointive position in which the Member serves after termination of Member service.

[Mr. FULTON of Pennsylvania addressed the Committee. His remarks will appear hereafter in the Extensions of Remarks.]

Mr. CORBETT. Mr. Chairman, I yield to the gentleman from California (Mr. DON H. CLAUSEN).

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Chairman, I rise today in support of H.R. 9825, the Civil Service and Retirement Financing and Benefits Act.

The House Committee on Post Office and Civil Service has done an excellent job in the area of drafting legislation intended to improve both the financing and funding practices of the civil service retirement system in order to maintain confidence in the soundness of the retirement fund. In addition, this legislation, in my judgment, provides certain limited, but necessary and needed, improvements in the benefits structure of the system within the confines of the new financing approach.

Certainly, we in the Congress must insure that the necessary money is available when needed to pay the annuities of Government's retirees and survivor annuitants in full and on time.

Essentially, this bill provides four basic improvements in our Civil Service Retirement Act.

First. An additional 1 percent will be added to all future annuity cost-of-living increases. This, I believe, is absolutely essential. Thus, if the cost of living is increased by 3 percent, annuities would be advanced by 4 percent to offset the increase.

Second. Annuities of surviving spouses who have remarried since July 18, 1966, will be continued or restored under certain conditions.

Third. Retirement service credit will be allowed for unused sick leave. While this provision may be debated, it should, nevertheless, be recognized as a valuable incentive for faithful service.

Fourth. And, last, annuities will be computed on the high 3 years rather than the high 5 years of average earnings.

On this latter provision of pay averaging and, in order to be consistent, it is my understanding that a motion to recommit will be offered on the basis that this provision includes Members of Congress. If the 3-year averaging provision is limited to Federal employees and excludes Members of Congress, I will support it. If it includes Members of Congress, however, I shall be compelled out of conviction to support the motion to recommit on that basis.

Increasing the salary and benefits for Members of Congress, as I see it, is not the answer to the problem and, whenever I have had the opportunity to cast my vote on this question, it has been against increasing Members' salaries and benefits. This was true during the last session on the question of establishing the so-called Presidential Commission on

Executive Salaries and it is true here today.

While I fully support improving the financial condition of the civil service retirement system, I cannot, in good conscience, believe that our actions here today will be construed as improving the critical problem of properly financing the system by improving benefits for Members of Congress which, in my judgment, are adequate at present.

While some may disagree, I believe that, over the years, Congress has just not provided sufficient funds or adequate "machinery" so that our civil service retirement system is capable of keeping pace with the cost of living or rising price index. Nor, in my judgment, has proper attention been paid to surviving widows.

This, then, is the problem that we should be addressing ourselves to here today.

Mr. CORBETT. Mr. Chairman, I yield 3 minutes to the distinguished gentleman from West Virginia (Mr. KEE).

Mr. BURLISON of Missouri. Mr. Chairman, will the gentleman yield?

Mr. KEE. I yield to the gentleman from Missouri.

(Mr. BURLISON of Missouri asked and was given permission to revise and extend his remarks.)

Mr. BURLISON of Missouri. Mr. Chairman, the major purpose of this legislation is to improve the financing and funding practice of the civil service retirement system, so as to maintain confidence in the soundness of the retirement fund and to assure that the necessary money is available when needed to pay the annuities of Government's retirees and survivor annuitants in full and on time.

It is also the purpose of this legislation to provide certain limited, but needed, improvements in the benefits structure of the system within the limits of the new financing approach.

During the past 1½ years, the Subcommittee on Retirement, Insurance, and Health Benefits of the Committee on Post Office and Civil Service has devoted its full time and attention, in extensive public hearings, executive sessions, and conferences with the official representatives of agencies of the executive and legislative branches, to a searching review of the financial condition of the civil service retirement system—a program which is a vital part of the Federal employment system, and one of paramount importance to the Government's millions of retired, active, and future employees and their families.

The subcommittee's aim was to attempt to recognize the problems resulting from past and present funding practices, to resolve any doubts of the system's financial integrity, and to develop a definite plan of action to insure its ability to fulfill its obligations.

The results of the indepth study most assuredly attest to the fact that any doubt which exists as to the system's ability to meet future commitments is attributable to funding practices that have been grossly inadequate since the program's every inception in 1920.

Federal employees have always con-

tributed the full amount set by law, but, while the Government has contributed substantial sums to the trust funds, it has failed to appropriate regularly and systematically, on a concurrent basis, sufficient funds to meet the ultimate costs not covered by employees' contributions. In past years several methods for determining appropriations, to meet the Government's obligation to the system have been considered, and some were adopted. However, attitudes of various administrations, Congresses, and committees have changed from time to time, but facing the problem realistically has been long delayed.

The significance of expected continual deficiency increases is that the fund will ultimately be depleted unless action is taken to forestall this contingency. Thereafter, direct appropriations would be required each year, in addition to employee, and employing agency contributions, in order to meet benefit payments as they fall due. Unless steps are taken to eliminate, or at least halt the growth of, the unfunded liability, the fund balances will be drawn down and substantial direct appropriations will be required to meet future obligations.

In the committee's judgment and mine, its recommended approach, while somewhat new in concept and mechanics, is sound and will accomplish the desired results. Its impact on future budgets will be considerable, but the impact will nevertheless be far less drastic than if present funding practices continue unchanged. The longer action is delayed, the larger will be the problem to be dealt with. The committee believes that this bill will provide in full for the permanent financing of the civil service retirement system, so as to assure that there will always be enough money in the fund to permit the payment of all benefits due—in full and on time. I fully concur with the committee on these matters.

The annuity computation formula is an all-important technique of expressing basic policy decisions as to how much annuity to award specified groups of employees, and how much recognition or weight to give to length of service, level of earnings, and other relevant factors in arriving at the amount of annuity.

Substitution of the final salary, of the salary in the last full year of employment, of a high-2 average, or of a high-3 average have all been urged as remedies. Each of these would be more advantageous than the high-5 average from the viewpoint of most employees, of course, in that each would produce more favorable annuities.

On balance, it is my judgment that the high-3 average appears to be the best available alternative from the standpoint of both the Government and the employees. Normal costs will be increased by 0.07 percent of payroll—from 13.86 percent to 13.93 percent—or \$15.4 million annually—\$7.7 million each from employees and agencies—but will be fully covered within the normal cost financing provision of section 102 of this legislation.

A continuing concern has been expressed over the years that, while some

employees are heavy sick leave users toward the end of their careers, many others retire with substantial balances accumulated by virtue of conscientious usage of the sick leave privilege. While one-third of all retirements are for disability—and such retirees are properly entitled to the full protection provided by their sick leave—the leave problem is brought within the scope of this legislation because the use of sick leave by employees otherwise planning to retire is creating difficulty for Federal agencies.

Recent studies indicate that there is a growing tendency, particularly among State and municipal governments, to provide some form of recognition for unused sick leave at the time an individual retires or dies while employed. In instances where a lump-sum payoff is provided, this recognition frequently equals 50 percent of the cash value of the unused leave. Statistics disclose that, since the adoption of such plans, overall sick leave usage has declined from an average of 8 to 7 days yearly. Further, that such a payoff is not quite unique is demonstrated by the practice in the Canadian Government's retirement system of continuing to pay a retired employee the equivalent of full salary and annuity benefits for the period equal to his unused sick leave.

The bill provides a limited measure of recompense for unused sick leave by increasing the total actual service performed by an employee—who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity benefits—by the length of service representative of the calendar value of his unused sick leave. An employee who has met the age and service requirements for immediate retirement, such as one who is age 55 and has served 30 years, for example, will have his service increased by 1 calendar month for each 22 days of unused leave; or a retired or deceased employee who has accrued sufficient leave to be carried in a paid-leave status for 1 year will be given retirement service credit of 1 calendar year. Consequently, the latter employee's annuity would be computed upon 31 years of service. The additional service so granted, however, shall not be counted in determining average pay or in attaining eligibility for retirement.

This legislation embraces a change in the basic historical philosophy underlying the sick leave system, and grants a limited recognition to those employees who have prudently utilized the sick leave privilege. It is expected that by providing a benefit as an additional incentive to conserve sick leave, there will be extra consideration given by employees, generally, to the use of the leave as it is earned. By crediting such accruals, normal cost will be further increased by 0.06 percent of payroll—from 13.93 to 13.99 percent—or \$13.2 million, but will be fully covered within section 102 of this bill.

It is the consensus of the committee that such additional costs will be significantly offset by the savings resulting from a reduction in the number of days of average sick leave usage throughout the Federal service. Again, I concur with the committee.

Federal staff retirement systems represent a mixture of insurance and humanitarian principles. In the matter of adjusting annuities after retirement, insurance practice would guarantee that whatever annuity an employee had earned at the time of retirement should be preserved without change. On the other hand, humanitarian considerations would urge that the welfare of the retired person is the major concern, and that annuities should be adjusted to changing needs. The latter theory has prevailed through congressional action; but putting theory into practice has proved difficult.

The level of benefits at the time of retirement is established by a formula based on service and salary. The needs and desires of annuitants are influenced by the cost of living and also the general level of standards of living. When these variables are stable or declining, annuity adjustments are no issue; this was essentially true from 1920 to 1945. When the variables increase, however, problems arise; and that has been the situation continuously since the end of World War II.

The Congress has tried a variety of devices to cope with the problem. After the Civil Service Retirement Act was passed in 1920, civilian salaries were adjusted by the Classification Act of 1923 and a subsequent increase in 1925; but a retirement recomputation principle was never adopted. In 1926 and 1930 new formulas for computing benefits were introduced. Annuities for persons already retired were increased to the levels provided by the new formulas. Under the 1930 act the maximum benefit was \$100 a month, and most employees retiring after a full career received this amount. During the 1930's salary schedules were stable except for temporary flat percentage cuts, and no changes were made in annuity formulas. The cost of living and general standard of living declined. Annuitants were relatively well off and therefore annuity adjustments were no issue.

During World War II, wartime controls ruled out any general action on salaries and annuities alike. However, one change was made: the \$100-a-month lid on annuities was removed in favor of a percentage of high-5 average, thus benefiting higher paid employees—which at the time meant those paid over \$2,800 a year. In 1946 this provision was also extended to cover employees who had retired before the amendment was passed.

As a result of inflation during and after the war, both active and retired employees found themselves in a new and bleaker economic world. The Consumer Price Index in 1946 stood 40 percent above the 1939 level. In 1951, with a boost from the Korean conflict, it reached 87 percent. Fortunately, civilian production recovered rapidly and action was taken to restore lost values, at least in part.

By 1956, pay schedules for most active employees, and annuities for new retirees, had pretty well caught up with the cost-of-living increase since 1939. However, national productivity still in-

creased and wages and salaries in industry continued upward. Annuitants who had retired before the effective date of the 1956 act received a 10-percent cost-of-living raise. Those retired later received nothing under that act.

In 1962 a major effort was begun to establish annuity adjustments on a stable basis. The act of October 11, 1962, first established the principle that Federal civilian salaries should be comparable with industry salaries for similar work, and new salary schedules took steps toward effecting the principle. The act also established the policy that the purchasing power of annuities would be maintained by adjusting benefits automatically whenever the Consumer Price Index for a year exceeded the base year by 3 percent. At the same time, annuities for 1962 and earlier years were raised by 5 percent; and to supplement the effect of the 1962 increases on high-5 averages, annuities for 1963 were raised by 4 percent, for 1964 by 3 percent, for 1965 by 2 percent, and for 1966 by 1 percent. Further, the 1952 and 1955 ceilings on annuity increases were abolished, so that all earlier retirees got the benefit of previous increases.

The Consumer Price Index had increased 118 percent from 1939 to 1962, and while the Consumer Price Index formula was a welcome innovation, its operation disappointed annuitants. It fell barely short of forcing an automatic increase in 1965 and left them to wait another year.

The 89th Congress reacted by passing new legislation in 1965. The Consumer Price Index formula was revised to provide automatic increases whenever the Consumer Price Index rose by 3 percent over the previous base period for 3 successive months. The new formula generated an automobile increase of 4.6 percent for all annuitants in 1965. In addition, the Congress provided additional increases of 6½ percent for civil service retirement annuitants who had retired before October 1, 1956, and 1½ percent for those who retired between that date and December 31, 1965—an average of 7½ percent. Subsequent automatic adjustments of 3.9 percent, respectively, have become effective on January 1, 1967, May 1, 1968, and as recently as March 1, 1969.

If the present Consumer Price Index formula had been in effect since 1920, it presumably would have been suspended during the period of wartime inflation as a result of wartime controls. After the war, however, it would have provided a guide more effective than any then available for bringing the value of annuities back to a reasonable relation with the rest of the economy. Once the annuities regained their original purchasing power, the formula would have maintained them by prompt and equitable action when living costs rose further.

While values are in better balance now, on the whole, than at any time in the past, a notable deficiency continues to exist. A period of 5 months elapses between the initial month in which the Consumer Price Index rises by 3 percent over the previous base month and the month in which the cost-of-living

adjustment is reflected in the annuity checks. During that elapsed period the Consumer Price Index continues its upward trend, generally attaining a level in excess of 1 percent of the actual percentage rate of adjustment.

In order to correct this serious deficiency in the adjustment formula and thereby compensate retirees and survivor annuitants for the intervening incremental rises in the cost of living, H.R. 17682 will add 1 percent to all future percentage adjustments. For example, if the highest level attained during the 3-month measuring period equals 4 percent, an additional 1 percent will be added thereto and result in an automatic adjustment of 5 percent. Annual costs would be increased by approximately \$23 million on each occasion.

Mr. Chairman, the above constitutes a synopsis of the views of the Committee on Post Office and Civil Service, with which I am pleased to join.

Mr. Chairman, this bill (H.R. 9825) vigorously attacks a number of inequities presently existing in the civil service retirement system. I strongly feel that the Congress must meet its obligations to the millions of dedicated workers in the Federal service. I urge passage of this essential legislation.

Mr. KEE. Mr. Chairman, I take this opportunity to thank my very dear friend of many, many years standing (Mr. CORBETT of Pennsylvania) for his courtesy in yielding.

Mr. Chairman, I rise to commend Chairman DANIELS, and the members of the Subcommittee on Retirement, Insurance, and Health Benefits, and all of the members of the Committee on Post Office and Civil Service for reporting H.R. 9825, sound legislation now under consideration, which was cosponsored by 24 of 26 members of the committee.

Under the wise and able leadership of our distinguished colleague (Mr. DANIELS), of New Jersey, we have before us legislation that deserves the unanimous support of every Member of the House without amendment. This measure was reported unanimously by the subcommittee, and by the full committee it was supported by a vote of 22 yeas and 1 present, and with not a single nay. Mr. Chairman, I submit to the Members of the House, this is an excellent example of bipartisan support.

For 1½ years, the subcommittee chaired by Mr. DANIELS has devoted full time and attention in extensive public hearings.

Title I improves the financial condition of the civil service retirement fund.

Title II provides moderate liberalization, which will amply be covered by title I. This is sound fiscal legislation.

I should note that the employees of the executive branch of Government are by law required to contribute to the fund.

The members of the legislative branch, including Members of Congress and congressional employees, are the only Government employees who have the choice of choosing to participate or not to participate. Some do, and some do not. The choice is up to the individual alone.

I might point out at this time that members of the executive branch, once

they are appointed, even on a temporary basis, do contribute. But when they stay and they are qualified, for permanent civil service status, they have their jobs for their lifetime, as long as they perform their assigned duties in an acceptable fashion.

The Members of the House, however, have to go before the electorate, before the voters of our districts, twice every 2 years. We have to report to our people in our primary elections and in our general elections. Our congressional employees are dependent upon our success. Without them, of course, none of us could be successful.

Mr. Chairman, I should also like to add that our Nation was founded with the idea that our Nation would survive or fall upon the performance of the U.S. House of Representatives.

This legislation is designed to fulfill this sacred obligation. As we look to the future, this measure, when approved, will serve to help attract some of the most capable and qualified citizens into public service. Because of this fact, our country will benefit.

Therefore, Mr. Chairman, this legislation is an investment in the future of America.

Mr. Chairman, I respectfully, therefore, urge every Member of this House, and I strongly beg and plead with every Member of this House, let us pass this measure unanimously, without a single amendment.

Mr. CORBETT. Mr. Chairman, I yield such time as he may consume to the gentleman from Washington (Mr. PELLY).

(Mr. PELLY asked and was given permission to revise and extend his remarks.)

Mr. PELLY. Mr. Chairman, this legislation to provide proper financing for the retirement fund is long overdue.

Mr. Chairman, the question here, to my mind, is whether the good outweighs the bad. No one opposes the objective of H.R. 9825; namely, to improve the financing and funding practices of civil service retirement. For years I have called for legislation to eliminate the \$57 billion deficit in the system. This title I of the bill would accomplish. But, by the same token title II of the bill would increase the unfunded liability, and I oppose that.

Since I have been in Congress—which is more than 16 years—I have contributed to the retirement fund almost \$30,000. That fund for Members of Congress has a substantial surplus, I am informed. So I do not feel obligated to vote against more benefits for Members of Congress. But this is a civil service retirement for all Federal workers, and I feel constrained to look at it in that way.

So, Mr. Chairman, when a vote comes—as I believe it will—to raise the employment from 7½ percent to 8 percent I intend to support that effort to eliminate more deficit financing. I am for higher benefits but I want the program to be fully financed. I hope that amendment carries. I will pay 8 percent of my salary willingly for the liberalization of the program.

Also I will support a reduction in benefits, if that is necessary to bring the fund into balance.

But I support the objective of the bill. It is long overdue and its passage especially title I is most desirable.

Mr. CORBETT. Mr. Chairman, I yield such time as she may consume to the gentlewoman from Washington (Mrs. MAY).

(Mrs. MAY asked and was given permission to revise and extend her remarks.)

Mrs. MAY. Mr. Chairman, I find it most objectionable that this bill contains provisions which would liberalize the retirement financing and benefits for Members of Congress. I submit that the people of this Nation will view this section of the bill as further special benefits which Members of Congress bestow upon themselves.

Mr. Chairman, can anyone doubt that the American people are upset about the 41-percent increase in pay that the House of Representatives allowed themselves this year? And just before asking the people to submit to an extension of the income tax surcharge?

As far as I am concerned, Mr. Chairman, the provisions for Members of Congress in this bill are just as untimely as was the pay increase for Members earlier this year.

It is possible that my opposition to benefits for Members of Congress may be construed by some as opposition to retirement financing improvements and benefits for civil service workers. This is not so. I fully recognize the need to improve the situation of civil service employees, and I have always supported those provisions of the bill. But I cannot in good conscience support a bill that retains these benefits for Members of Congress.

It would be wonderful if our national economy and budgetary situation were such that we could do anything we wanted to do. We tried that for the past few years, Mr. Chairman, and as a result we are faced with economic catastrophe.

To survive we must realign our national priorities and a good place to start is right here in this Chamber.

I will not vote for any bill that contains any monetary benefits for Members of Congress. Not with the taxpayers of this Nation being asked to tighten their belts and pay high taxes at the same time.

Mr. FARBERSTEIN. Mr. Chairman, I rise in wholehearted and enthusiastic support of H.R. 9825, legislation to liberalize and reform the civil service retirement system.

This bill takes a series of much needed steps in the direction of directly improving benefits for recipients. The program currently computes retirement benefits on the basis of the average of the high-5-year salary. H.R. 9825 would substitute a high-three average computation for the present high-five; the cost of the increased benefits are taken into account in the financing provided by the bill. The high-three substitute is an especially welcome provision of the bill because it would assure that retirement benefits more closely resemble a person's final salary—which is generally also his high-

est salary—than does the present high-five computation.

The civil service retirement program now increases retirement benefits to match cost-of-living increases 5 months after the consumer price index rises by 3 percent. In order to compensate for this 5-month lag in providing retirees with increased benefits, H.R. 9825 provides that the cost-of-living increase paid to retirees would be 1 percent higher than the rise in consumer price index.

Under present law, widows and widowers of Government employees may remarry after age 60 and still receive annuities if their deceased spouses were employed after July 18, 1966. The bill under consideration would extend these benefits by applying this provision to all widows and widowers whose remarriage took place on or after July 18, 1966.

H.R. 9825 makes an additional improvement in the program by giving credit for unused sick leave. Presently, employees seem to use an inordinate amount of sick leave during their last year of service. In order to encourage them to accumulate it rather than use it unnecessarily, this bill would provide that accumulated sick leave would be given credit in the computation of retirement benefits. The cost for this provision, too, is covered by the bill's financing provisions, though the committee reports that it believes that the savings resulting from the decreased use of sick leave would greatly offset the increased costs.

This legislation would also put the civil service retirement program on a much sounder financial footing. The need for this legislation has been sorely felt for a number of years. If no changes are made in the benefits or the financing of the program, it is forecast that the civil service retirement funds will have a zero balance in 18 years.

Thousands of men and women have chosen to serve their country in one of the most direct possible ways; by working for their national Government. As a legislator and also as a citizen, I am grateful to them. And I am anxious for them to have advantages similar to those they would receive in the private sector. The level and type of employee retirement benefits without doubt present one of the areas where the good intentions and the ultimate fairness of the Government can be clearly judged. Up to this time, the judgment on the matter of equitable and sound retirement benefits would have gone against the Government. The Congress now has an opportunity to reverse that judgment; I urge that we make use of that opportunity by passing H.R. 9825.

Mr. FEIGHAN. Mr. Chairman, I support H.R. 9825, which has tremendous significance for all Federal employees, legislation that will vastly strengthen and renew our confidence in the civil service retirement system. This bill will greatly improve the financing and funding practices of the retirement fund.

Federal employees have consistently contributed to the Government's retirement since its inception in 1920 with the assumption that their contribution would be supplemented with allotments from the Government, thereby enabling

them to live comfortably in their golden years. Now it seems that this hope for a comfortable retirement may be endangered due to a lack of sufficient moneys in the retirement fund. While the Government has contributed substantial sums to the fund since 1920, it has failed to appropriate regularly and systematically, or on a concurrent basis, sufficient funds to meet the ultimate costs not covered by employee contributions. Unfortunately, none of the several methods of financing proposed from 1920 through 1957 provided for an automatic reflection of the Government's share of retirement costs in annual appropriations. As the Committee on Post Office and Civil Service pointed out in its report:

The stabilization of employment during the early fifties, combined with sporadic and inadequate employer contributions, made it apparent that as the system matured, annual trust fund revenues would soon be less than benefit payments.

For these reasons, the deficiency, or the unfunded liability in the fund when computed for fiscal year 1969 is expected to have reached a level of \$57.7 billion.

To meet this deficiency, three major provisions are contained in H.R. 9825, which will dramatically alter the financing of the system. The bill would raise Government and employee contributions to the civil service retirement fund from 6.5 to 7 percent and from 7 to 7½ percent for congressional employees. A second provision calls for costs of future unfunded liabilities from benefit liberalizations, salary increases, and extensions of coverage to be met by the Government through appropriations to the fund in equal annual installments over a 30-year period. Third, the bill provides for appropriations to meet the Government's presently increasing unfunded liability in amounts equal to the interest on future accrued deficiencies.

The possibility that the fund eventually may be depleted demands our prompt action today. It is up to us now to take the necessary steps to insure a viable fund for the hundreds of thousands of dedicated Government employees who comprise our federal system.

Along with the above provisions, H.R. 9825 is designed to increase substantially the retirement benefits available to Government employees by computing retirement annuities on the highest 3 instead of the present 5 years of average salary and granting civil service employees credit at retirement for unused sick leave.

It was disclosed during the committee's consideration of H.R. 9825, that there is a growing tendency, particularly among State and municipal governments, to provide some form of recognition for unused sick leave at the time an individual retires or dies while employed. Such a policy has acted as an incentive to employees to conserve their sick leave in anticipation of applying this unused time to their length of service when computing retirement benefits. The bill provides that unused sick leave shall not be counted in determining average pay or in attaining eligibility for retirement. This provision has long been a goal of the Government employee unions and

would guarantee that those employees who have judiciously utilized their sick leave will receive adequate compensation in their retirement years.

Federal employees nationwide are eagerly awaiting congressional action on this bill and are universal in their hopes for prompt passage of comprehensive reform legislation. I urge my fellow Members to give their full support to the provisions of this bill.

Mr. LEGGETT. Mr. Chairman, as a matter of fiscal integrity and common-sense, the House should pass H.R. 9825. This is a very well-structured bill that both puts the civil service retirement trust fund on a fiscally sound basis as well as providing increased benefits for retired personnel.

Title I of this act proposes a positive plan of action to solve the problem of financing the system by improving past and present funding practices which have proven to be inadequate. It is not the employee contributions which have caused the present troubles, but rather, the method of computation of agency contributions. By the end of this fiscal year, the unfunded liability of the system will be over \$48 billion. Under the present financing system, the unfunded liability will continue to grow by more than \$1.5 billion each year. If the system is continued disbursements will outstrip revenues by 1974. At the present time there is a balance of somewhat more than \$17.1 billion in the trust account. This balance will be totally depleted by 1987 under the current contributory system.

Although total collapse of the civil service retirement system is still 18 years away, it is incumbent upon us to take remedial action now so as to avert the consequences which are so clearly indicated.

While Government employees have always contributed their share to the fund, the Government has not appropriated sufficient sums with any regularity, and the sums so contributed have not been sufficient to meet the portion of accrued costs attributable to the Government contribution account.

While I have already pointed out that the fund is still sufficient to meet present and immediately future obligations, the laxity in Government contribution has resulted in a loss of possible interest which now amounts to \$1.7 billion per year.

This is not the whole story however. While the fund can meet existing obligations, actuarial studies indicate that at the present time—right now—no funds exist in respect of nonretired persons, whether to their accrued annuities or as to their own accumulated contributions. A private insurance company certainly could not operate in this manner and retain its license. I see no reason why the Federal Government should be automatically entitled to a stance of fiscal irresponsibility.

It is contended, however, that modern economists generally accept that Federal retirement systems, backed by the "Full Faith and Credit of the United States" need not accumulate reserves to the same extent that are required of private pen-

sion plans. This concept may be valid, and is certainly necessary when we are involved with mandatory spending programs in which deficit financing is the only alternative to no program at all. Here however, we are presented with a financial package which will go far to reduce the expected deficit in the trust fund without dislocating any other options. The ultimate conclusion is clear. If title I is not passed, the future deficiencies will have to be met by annual appropriations in addition to employee and agency contributions. Title I offers a solution which must be accepted.

Title II of this bill provides for certain limited increases in benefits, both cash and otherwise. It is the title II programs which have generated an enormous amount of mail to my office. This mail is overwhelmingly in favor of the bill, and I am sure that most of my colleagues share this experience. I fully support that section of the bill providing that the retirement annuity be based on the high 3-year average rather than the present high 5-year average. The present 5-year standard tends to keep Government employees on the job beyond the age when they would normally retire, is not consistent with retirement schedules now becoming prevalent in industry, and does not necessarily reflect the rationale behind the program—which is to reward the Federal employee in a manner commensurate with his contribution to the Government.

Equally valuable is the section of the bill providing a credit for unused sick leave. This section is the most morally justifiable provision in the bill, for it rewards those persons who have shown a competence and responsibility far above that of the average civil service employee. At present, unused sick leave is forfeited if not used. It has been common for many employees to use up their accrued sick leave prior to retirement. This, of course, results in long absences from work, and in the case of agencies under hiring curbs, work not completed. Many of the conscientious and often high level employees recognize their responsibilities however, and do not take advantage of their accrued sick leave. When the retirement date arrives they must forfeit this leave. In essence, the present system penalizes the competent employee and rewards the irresponsible employee.

It is argued that inclusion of this section will set a bad precedent, and that inclusion of this section implies that the present sick leave policy is being abused. I think the present policy is being abused. Agency reports confirm this.

While the purpose of sick leave is to provide income for a certain amount of time for those employees who are absent from work due to illness, experience clearly shows that as many employees reach retirement, they go through long periods of "illness" and then experience a quick recovery upon separation. Contrary to the supplemental views in the committee report, I do not feel that inclusion of this section will result in employees reporting for work if they are sick in order to gain the credit.

Crediting unused sick leave will in all probability result in increased effi-

ciency as the long-term employee will have the incentive to continue active work up to the time of official separation.

In conclusion, I am convinced that H.R. 9825 is a well thought out package which will stabilize the present chaotic system and provide the necessary benefits that have been lacking and which are certainly due the Federal employee.

Mr. EILBERG. Mr. Chairman, it is with a great deal of pride and a sense of relief that I rise today to give my support of H.R. 9825. I am sure all my colleagues will agree that the bill was a long time getting to the floor and those of us who have cosponsored the legislation are just plain glad it is here now.

I am hopeful that we will pass this bill again this year as we did at the end of the 90th Congress. When it is enacted, it will insure the solvency of the civil service retirement system and make some improvements in that system which are long overdue so that it will be more modern and capable of meeting the present and future needs of our retired civil servants.

I believe that maintenance of the civil service retirement system is one of the most important responsibilities of the Congress. It is an essential part of the modern employment system which we have tried to develop to attract and keep employees of the highest caliber to conduct the complex business of Government. Enactment of H.R. 9825 will contribute greatly to the financial security of the many past civil servants and their families as well as to future retirees. It will represent a landmark in our efforts to maintain the system and remove any doubt as to the retirement fund's ability to meet its commitments to our Federal civil servants.

The results of a comprehensive study conducted by the Committee's Subcommittee on Retirement, Insurance, and Health Benefits testifies to the need for this legislation. Federal employees have always contributed the full amount to the fund but, while the Government has contributed substantial amounts, it has failed to appropriate regularly and systematically sufficient amounts to meet the ultimate cost of the system which are not covered by employee contributions.

At the end of the 1968 fiscal year, the unfunded liability of the system had approached \$55 billion. If we do not pass this bill, under current system funding practices, this unfunded liability will continue to grow at the rate of \$2 billion per year. When the latest salary statute was implemented and Federal salaries at last in most cases came within striking distance of comparability, this coupled with cost-of-living increases for annuitants increased the unfunded liability to about \$60 billion. The need for action is evident and I am confident that we will decide overwhelmingly to take that action today and approve this bill.

Mr. Chairman, I am alarmed that the Bureau of the Budget recommended against enactment of some provisions of this bill specifically those which would liberalize existing benefits in the following ways: First, gross earnings, rather than basic pay should be used in determining retirement benefits and deduc-

tions; second, average salary for annuity computation purposes would be determined on the basis of 3 rather than 5 years of service; third, unused sick leave would be added to actual length of service in computing annuities; fourth, an extra 1 percent would be added to each annuity increase resulting from changes in the consumer price index; and fifth, amendments which permit continuation for the annuity when a surviving spouse remarries after reaching age 60, and restoration of annuity upon termination of a remarriage which occurred before age 60, would be made applicable to all cases in which remarriage occurs after July 17, 1966.

I support all these provisions and I hope that my colleagues feel likewise. Enactment of this legislation is absolutely necessary to the continued efficiency of our Government.

Mr. FASCELL. Mr. Chairman, today we consider what I am sure will be one of the most worthy bills to come before this session of Congress. Basically, it is legislation to provide just retirement benefits for our Federal employees, and improve the funding of the civil service retirement program.

I am sure that there will be general agreement on the objectives of this legislation. I have cosponsored a bill, H.R. 10219, identical to the measure before us, and so have many other Members. The need for this type of improvement is clear and compelling, for it is imperative that we provide adequately for the retirement of career Government workers who have devoted their lives to public service.

H.R. 9825 is a "clean bill" in that it is a final version of similar legislation which has long been studied by this body. It incorporates refinements and improvements which reflect the extensive consideration devoted by the Congress to this field. No Senate action was taken on the similar bill passed unanimously by the House in the last Congress, but in view of the increasingly severe hardship caused on retirees by inflation, I feel confident that the other body will be in a more receptive mood this year.

One of the best elements of this bill is its provision reducing the average pay computation period to 3 years from the present 5 years. This provision is strongly endorsed by employees and their professional organizations, and it deserves our wholehearted support. It is needed in part because of the recent pay increases we have enacted to bring Federal employee salaries into closer comparability with private enterprise salaries. It would do little good for thousands of valuable Government employees if we raised their pay briefly before retirement, then computed their retirement income based on 5 years of previous salaries that were admittedly inequitable. Justice demands that we at least reduce the computation period to 3 years so that the pay increases which we found to be justified are taken into better account.

During this period of rapid escalation, those whose pay has finally been brought to comparability with the rest of the Nation should not be penalized by continuation of the 5-year base period. This long a period overlooks the rapidly

changing nature of the Government pay structure and our efforts to upgrade Federal salary levels.

The other provisions of this measure are also sound. By adding unused sick leave to the length of service of an employee who is retiring or has died while employed, for example, we are justifiably rewarding the employee's good work and attendance record. This provision will add a significant incentive for employees to not "use up" all of their allowable sick leave during their years of service and should result in large savings to the Government.

To help pay for the increased benefits, the bill adds an extra 1 percent to the rate of employee and agency contributions to the retirement fund. This contribution would rise to 7½ percent from the present 6½ percent, but I feel that the overwhelming number of our Government employees will be happy to share this additional burden in view of the higher benefits they will eventually receive.

As one who has supported an adequate civil service retirement program throughout his congressional service, I enthusiastically endorse this legislation. I hope and expect that we can win its final enactment in the current Congress, thereby meeting our responsibilities to our faithful Federal employees.

Mr. BIAGGI. Mr. Chairman, I would like to express my complete and enthusiastic support for H.R. 9825.

This bill will effectively ameliorate our present civil service retirement system. That this program needs improvement is quite obvious. The unfunded liability of the system was \$18.1 billion in 1958, and jumped to \$57.7 billion at the close of fiscal year 1968. At this terrifying rate of increase, it is anticipated that if no changes are made in the law, the civil service retirement trust fund will have a zero balance in about 18 years.

To preclude such a dire financial crisis, H.R. 9825 utilizes a three-pronged approach to the problem. First, and of greatest importance, the bill provides for payment of the interest accruing on the \$57.7 billion. This would be accomplished by paying 10 percent of the interest in 1970, 20 percent in 1971, 30 percent in 1972, et cetera, until 1980 when all of the interest would be paid up. In such a manner, the astronomical growth of the unfunded liability would be stopped since the interest is what is responsible for the major increase of this deficit.

Second, the bill would assure any increase in principal that may occur through further liberalization of the program would be paid for by the Government in 30 equal annual installments.

In order to fund the above two financial improvements, H.R. 9825 would raise employee and agency payroll contributions one-half of 1 percent, from 6½ to 7 percent. This contribution increase would be effective January 1970.

In addition to promoting a health financial situation, H.R. 9825 would also considerably improve the benefits derived from the civil service retirement program. There are four of these major improvements.

First, the bill calls for an increase in benefit payments 1 percent greater than the rise in the cost of living. This would alleviate the present lag in the timing of the benefit increase since it takes at least 5 months before the increase takes effect. Since the cost of living generally goes up month by month, this 5-month lag in increase can sometimes be most serious.

Second, the bill will provide for the restoration of benefits to certain remarried widows who are denied them only because their spouse died or retired before July 18, 1966.

The third benefit improvement which H.R. 9825 would make is to change the number of years of high salary from 5 to 3 on which retirement benefits are based. In this way, the retirement benefits would be more closely related to the salary at time of retirement—normally the highest—and would lessen the tendency of employees to postpone retirement indefinitely.

Finally, the bill would provide that in the computation of annuities credit would be given for unused sick leave accumulated by an individual at the time he retires. This would of course encourage employees to accumulate sick leave rather than to use it unnecessarily, particularly as some do during their last year.

For all of these important and significant reasons, I heartily endorse H.R. 9825. Thank you.

Mrs. GREEN of Oregon. Mr. Chairman, I rise in support of legislation being offered to the House today by my distinguished colleague DOMINICK DANIELS and the hard-working members of the Subcommittee on Retirement, Insurance, and Health Benefits.

It is a special pleasure to support H.R. 9825. Chairman DANIELS and his colleagues have engaged during the last year and one-half in the sore of conscientious and thorough preparation of legislation that is a credit to all of us in the Congress. The subcommittee has conducted a searching examination of the civil service retirement program, and the result of that study is an admirable piece of legislation which deserves the wholehearted support of everyone in this Chamber.

The Federal Government must be able to attract and retain the most dedicated and best prepared people in the Nation. And those people who enter Government service have every right to expect adequate retirement payments in return for their years of service. Thus, this legislation is another investment in efficient government and in dedicated people.

Moreover, I cannot emphasize enough that the Congress must be more responsive to the needs of our senior citizens generally. There are thousands of older Americans who live in real poverty. And there are millions of older Americans who subsist on the most meagre of resources: budgeting themselves rigidly so that they may take an afternoon bus ride, or buy a Sunday newspaper, or a new pair of shoes. This is an unacceptable living situation; and I contend that the poverty of the aging in America is

assuredly the most unnoticed—but in many ways the most compelling. Theirs is the worst poverty of all, for it is companion to the loneliness of silence.

If the House would take an important step toward reassuring the American people that it will not tolerate economic deprivation among the elderly, this body will authorize the provisions of H.R. 9825, which will make our retirement program for Federal employees financially secure, adequate in payments to retirees, and equitable in structure. Specifically, the House will have addressed itself to the financial necessities of Government employees in their later years. But in the larger framework, the House will have indicated its concern and determination to insure financial security for all of our older citizens.

This bill puts the retirement fund on a sound basis through an improved program of financing and funding. In meeting the need for resources, H.R. 9825 increases the rate of employee and employer contributions from 6½ to 7½ percent.

Important improvements are made in retirement benefits. The average pay computation period is reduced from 5 years to 3 years. The bill takes a realistic approach to the rise in the cost of living and the inadequacy in the adjustment formula. Unused sick leave is added to length of service of an employee who is retiring.

H.R. 9825 was thoughtfully prepared. It is a practical response to the retirement needs of Federal employees. H.R. 9825 deserves the immediate attention and support of both House.

Mr. MIZELL. Mr. Chairman, I rise in support of the amendment offered by my colleague from Alabama, Mr. JOHN BUCHANAN.

I think his bill would completely eliminate the controversy which surrounds this piece of legislation. I do not think that we should do anything at this time that would lead the citizens of this country to believe that this body is voting special privileges for themselves, so therefore, I favor Congressman BUCHANAN's amendment to base the retirement for Congressmen on 5 years of service instead of at the 3 highest salaried years as is proposed in the bill.

The purpose of this legislation should be to strengthen and improve the retirement for civil service employees and not special benefits for Congressmen. I urge the passage of this amendment which I think would greatly improve the bill and make it more acceptable.

Mr. FRASER. Mr. Chairman, I wish to state my strong support for H.R. 9825, to strengthen the civil service retirement system. This bill which sets new and liberalized retirement benefits is, in my opinion, absolutely necessary.

At a time when we must, more than ever, attract and hold competent individuals in the civil service, we must build a retirement fund that is on a par with the best of labor unions and private industries. Certainly, we cannot allow Government employees to suffer from substandard pension programs.

The report of the Post Office and Civil Service Committee noted that the deficiency in the retirement fund will reach \$57.7 billion this year. By 1975, the disbursements, because of the increased number of eligible people, will skyrocket beyond the income level, which will remain relatively static over the next 6 years. If we would allow such a situation to develop, the soundness of our civil service system would reach a low point.

I also would like to express special support for that provision of the bill which provides for an adjustment of the benefits to the cost of living. The inflation we are currently experiencing has made us painfully aware of the suffering of those living on fixed incomes and pensions. Is this a proper reward for years of faithful Government service?

The Post Office and Civil Service Committee has worked long and hard in producing such a fine piece of legislation. I urge the immediate adoption of this bill.

Mr. BROYHILL of Virginia. Mr. Chairman, I rise to endorse with all the vigor at my command and to urge passage of the legislation we are considering today, to improve both the financing and benefits of the civil service retirement provisions.

On March 13, 1969, I urged the Congress to give the earliest consideration to H.R. 770, predecessor of H.R. 9825, introduced on the first day of this Congress by the distinguished gentleman from New Jersey (Mr. DANIELS). On that same day I introduced a companion bill, H.R. 8924, to add to my verbal support for this legislation.

When the bill under consideration today, H.R. 9825, was reported by the Subcommittee on Retirements, I again added my support to this revised bill by cosponsoring another companion bill, H.R. 10219, on April 16, 1969.

Needless to say, Mr. Speaker, I am very much interested in this Congress taking the necessary steps to insure the financial soundness of the civil service retirement fund and to improve benefits to annuitants under the civil service retirement system.

The chairman and members of the Committee on Post Office and Civil Service are to be commended for the more than 2 years of work they have done in formulating this legislation and bringing H.R. 9825 to the floor of the House. The modifications of the original bill have been minor, and I believe they insure its passage by both Houses of the Congress.

The soundness of the fund is insured by raising the deduction from an employee's base pay from 6½ to 7 percent for classified employees and from 6½ to 7½ for Members and employees of the Congress. With the fund now over \$55 billion in the red, the need for this increase is obvious, as is the like increase in the Government's employer contribution.

The high 3-year average in determining base pay for annuity computation purposes rather than the previously enacted high 5-year average is completely justified and long overdue, as is the provision that unused sick leave can be added in computing the employee's total actual service performed for an-

nuity computation. Finally, a 1 percent addition to all future automatic cost-of-living adjustments will go a long way toward bringing Federal annuities up to the level we would hope to provide for our retired civil service employees.

Mr. Chairman, H.R. 9825 provides for urgently needed improvements in our civil service system, and I urge our colleagues to support it.

Mr. CORBETT. Mr. Chairman, we have no further requests for time.

Mr. DANIELS of New Jersey. Mr. Chairman, I rise at this time merely to state I have no further requests for time, and to take this opportunity to express to Members who have participated in this debate my gratitude, and also the gratitude of the subcommittee for their serious concern over this very vexing problem we face here today.

The budgetary impact of solving the problem has resulted in congressional, as well as Executive, hesitation; so we have gone much further today in trying to solve this problem than we ever have done before.

I think we have before us a program for the financing of the Retirement Fund which is very sound and businesslike. I urge all Members of the House on both sides of the aisle to give their support to this bill without any crippling amendments.

The CHAIRMAN. There being no further requests for time, the Clerk will read.

The Clerk read as follows:

H.R. 9825

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I—CIVIL SERVICE RETIREMENT FINANCING

Sec. 101. Section 8331 of title 5, United States Code, is amended—

(1) by striking out "and" at the end of paragraph (15);

(2) by striking out the period at the end of paragraph (16) and inserting a semicolon in lieu thereof; and

(3) by adding immediately below paragraph (16) the following new paragraphs:

Mr. SCOTT. Mr. Chairman, I ask unanimous consent that the bill be considered as read, printed in the RECORD, and open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from Virginia?

Mr. GROSS. Mr. Chairman, I object.

The CHAIRMAN. Objection is heard.

The Clerk will read.

The Clerk read as follows:

"(17) 'normal cost' means the entry-age normal cost computed by the Civil Service Commission in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay;

"(18) 'Fund balance' means the sum of—

"(A) the investments of the Fund calculated at par value; and

"(B) the cash balance of the Fund on the books of the Treasury; and

"(19) 'unfunded liability' means the estimated excess of the present value of all benefits payable from the Fund to employees and Members, and former employees and Members, subject to this subchapter, and to their survivors, over the sum of—

"(A) the present value of deductions to be withheld from the future basic pay of em-

ployees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf; plus

"(B) the present value of Government payments to the Fund under section 8348(f) of this title; plus

"(C) the Fund balance as of the date the unfunded liability is determined."

Mr. BENNETT. Mr. Chairman, I move to strike the last word.

Mr. Chairman, at this time I should like to outline an amendment which I shall offer to this bill. It is not a crippling amendment; it is a perfecting amendment. It is one recommended by the U.S. Civil Service Commission.

(Mr. BENNETT asked and was given permission to revise and extend his remarks.)

Mr. BENNETT. Mr. Chairman, the purpose of this amendment is to provide for one case I know of, which has been brought to my attention, of a constituent of mine who received advice in writing from an employee of the Civil Service Commission, acting for the Commission, that she would not forfeit her pension if she remarried. She has a letter to that effect. The Civil Service Commission regrettably acknowledges that now she has had her pension cut off, since she remarried relying on this statement. The amendment I will offer reads as follows:

Notwithstanding the prohibition contained in the first sentence of this section on the payment of annuity for any period prior to the enactment of this section, in any case in which the Civil Service Commission determines that—

(1) the remarriage of any widow or widower described in such sentence was entered into by the widow or widower in good faith and in reliance on erroneous information provided in writing by Government authority prior to that remarriage that the then existing survivor annuity of the widow or widower would not be terminated because of the remarriage; and

(2) such annuity was terminated by law because of that remarriage;

then payment of annuity may be made by reason of this section in such case, beginning as of the effective date of the termination because of the remarriage.

As I have already mentioned, the Civil Service Commission has passed on this matter. Despite the fact that I have introduced a private bill to accomplish this same result, they feel it ought to be remedied in this bill. They prefer it be remedied in this bill. So, at a later time, when we reach the proper point in the discussion, I shall offer the amendment.

Mr. DANIELS of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. BENNETT. I am happy to yield to the gentleman from New Jersey.

Mr. DANIELS of New Jersey. I happen to be in possession of a report of the U.S. Civil Service Commission with respect to the private bill the gentleman introduced, H.R. 10356, and in substance the Civil Service Commission states that this lady acted like a reasonable and prudent person, that she made inquiry of the civil service examiner and received an opinion in writing.

I further understand that an aide in the gentleman's office who was consulted by this lady, Mrs. Hicks, also made inquiry of the Civil Service Commission and

likewise was advised that if she remarried her annuity would not be cut off.

Under those circumstances, since she remarried and under the law lost her annuity, I believe it not more than fair and reasonable and in justice to this woman that we should make an exception in this case for this particular individual, who received an opinion in writing from a governmental agency. In such a case what more could one expect a private individual to do?

She did what I think is a fair, reasonable, and sensible thing, and in justice to her we ought to allow this amendment.

Mr. BENNETT. I thank the gentleman very much. I will offer the amendment at the proper time and at that time I will ask the minority to accept it.

The CHAIRMAN. The Clerk will read. The Clerk read as follows:

Sec. 102. (a) Section 8334 of title 5, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

"(a)(1) The employing agency shall deduct and withhold 7 percent of the basic pay of an employee and 7½ percent of the basic pay of a Congressional employee and a Member. An equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingent fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

"(2) The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member also shall be credited to the fund."; and

(2) by amending subsection (c) to read as follows:

"(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

Service period

"Percentage of basic pay:

Employee:

2½—August 1, 1920, to June 30, 1926.

3½—July 1, 1926, to June 30, 1942.

5—July 1, 1942, to June 30, 1948.

6—July 1, 1948, to October 31, 1956.

6½—November 1, 1956, to December 31, 1969.

7—After December 31, 1969.

Member or employee for Congressional employee service:

2½—August 1, 1920, to June 30, 1926.

3½—July 1, 1926, to June 30, 1942.

5—July 1, 1942, to June 30, 1948.

6—July 1, 1948, to October 31, 1956.

6½—November 1, 1956, to December 31, 1969.

7½—After December 31, 1969.

Member for Member service:

2½—August 1, 1920, to June 30, 1926.

3½—July 1, 1926, to June 30, 1942.

5—July 1, 1942, to August 1, 1946.

6—August 2, 1946, to October 31, 1956.

7½—After October 31, 1956.

Notwithstanding the foregoing provisions of this subsection, the deposit with respect to a period of service referred to in section 8332(b)(6) of this title performed before January 1, 1969, shall be an amount equal to 55 percent of a deposit computed in accordance with such provisions."

(b) The amendment made by subsection (a)(1) of this section shall become effective at the beginning of the first applicable pay period beginning after December 31, 1969.

Sec. 103. (a) Section 8348 of title 5, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

"(a) There is a Civil Service Retirement and Disability Fund. The Fund—

"(1) is appropriated for the payment of—

"(A) benefits as provided by this subchapter; and

"(B) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title; and

"(2) is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Commission in connection with the administration of this chapter and other retirement and annuity statutes."; and

(2) by striking out subsections (f) and (g) and inserting in lieu thereof:

"(f) Any statute which authorizes—

"(1) new or liberalized benefits payable from the Fund, including annuity increases other than under section 8340 of this title;

"(2) extension of the coverage of this subchapter to new groups of employees; or

"(3) increases in pay on which benefits are computed;

is deemed to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in equal annual installments over the 30-year period beginning at the end of the fiscal year in which the statute is enacted, with interest computed at the rate used in the then most recent valuation of the Civil Service Retirement System and with the first payment thereof due as of the end of the fiscal year in which the statute is enacted.

"(g) At the end of each fiscal year, the Commission shall notify the Secretary of the Treasury of the amount equivalent to interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System. Before closing the accounts for each fiscal year, the Secretary shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of the amounts equivalent to interest on the unfunded liability: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund under this subsection."

(b)(1) The provisions of subsection (g) of section 8348 of title 5, United States Code, as contained in the amendment made by subsection (a)(2) of this section, shall become effective at the beginning of the fiscal year which ends on June 30, 1971.

(2) Paragraph (1) of this subsection shall not be held or considered to continue in effect after the enactment of this Act the provisions of section 8348(g) of title 5, United States Code, as in effect immediately prior to such enactment.

Sec. 104. Section 1308(c) of title 5, United States Code, is amended by striking out "on a normal cost plus interest basis".

Sec. 105. The proviso under the heading "CIVIL SERVICE COMMISSION" and under the subheading "PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABILITY FUND" in title I of the Independent Offices Appropriation Act, 1962 (75 Stat. 345; Public Law 87-141), is repealed.

TITLE II—CIVIL SERVICE RETIREMENT BENEFITS

Sec. 201. Paragraph (4) (A) of section 8331 of title 5, United States Code, is amended by

striking out "5 consecutive years" and inserting in lieu thereof "3 consecutive years".

Sec. 202. Subsection (g) of section 8334 of title 5, United States Code, is amended—

(1) by striking out the word "or" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and the word "or"; and

(3) by adding the following new paragraph immediately below paragraph (4):

"(5) days of unused sick leave credited under section 8339(m) of this title."

Sec. 203. Section 8339 of title 5, United States Code, is amended—

(1) by striking out of subsection (b) the words "so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years" and inserting in lieu thereof "his service as a Congressional employee, his military service not exceeding 5 years,"

(2) by amending subsection (c)(2) to read as follows:

"(2) his congressional employee service;" and

(3) by adding at the end thereof the following new subsection:

"(m) In computing any annuity under subsections (a)-(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter."

Sec. 204. Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting "1 percent plus" immediately after the word "by".

Sec. 205. The provisions of subsections (b)(1), (d)(3), and (g) of section 8341 of title 5, United States Code, also shall apply in the case of any widow or widower—

(1) of an employee who died, retired, or was otherwise separated before July 18, 1966;

(2) who shall have remarried on or after such date; and

(3) who, immediately before such remarriage, was receiving annuity from the Civil Service Retirement and Disability Fund;

except that no annuity shall be paid by reason of this section for any period prior to the enactment of this section. No annuity shall be terminated solely by reason of the enactment of this section.

Sec. 206. (a) The amendments made by sections 201, 202, and 203 of this Act shall not apply in the cases of persons retired or otherwise separated prior to the date of enactment of this Act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if such sections had not been enacted.

(b) The amendments made by section 204 of this Act to section 8340 of title 5, United States Code, shall apply only to determinations of amounts of annuity increases which are made under such section 8340 after the date of enactment of this Act.

Mr. DANIELS of New Jersey (during the reading). Mr. Chairman, I ask unanimous consent that further reading of the bill be dispensed with, that it be printed in the Record and be open to amendment at any point.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

AMENDMENT OFFERED BY MR. DERWINSKI

Mr. DERWINSKI. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DERWINSKI: On page 3, line 9, strike out the word "and" and insert in lieu thereof a comma.

On page 3, line 10, strike out the word "and" and insert in lieu thereof a comma and the following: "and 8 percent of the basic pay of".

On page 4, immediately below "7½—After October 31, 1956." insert the following: "8—After December 31, 1969."

Mr. DERWINSKI. Mr. Chairman, this amendment is fairly simple and self-explanatory. It would merely raise to 8 percent the figure upon which the basic pay of a congressional employee or Member shall be subject to deduction and contribution to the fund.

We have had all sorts of statements made this afternoon by Members wishing to have this fund as strong as possible and also to make the most equitable contribution possible.

I understand that this amendment is supported by the ranking member of the full committee on the minority side, and therefore I hope it will be accepted by the floor managers of the bill and that we can move on expeditiously to other items.

Would the gentleman from Pennsylvania care to comment on this?

Mr. SCOTT. Will the gentleman yield?

Mr. DERWINSKI. I will in just a moment, but first I would like to get the attention of the gentleman from Pennsylvania (Mr. CORBETT), because I understood him earlier to support such a provision.

Mr. CORBETT. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. Yes. I am glad to yield.

Mr. CORBETT. The gentleman from Virginia was going to ask if your amendment did not include congressional employees as well as Members.

Mr. DERWINSKI. Yes, it does.

Mr. CORBETT. I can inform the gentleman that the amendment I spoke in support of earlier only included Members. Now, I will go that far with the gentleman from Illinois but not the whole way.

Mr. DERWINSKI. Well, then, perhaps the gentleman could offer a substitute to my amendment to strike the congressional employees from my amendment and then we would be in perfect harmony and could accept it and go on from here.

Mr. CORBETT. If the gentleman will yield further, I believe that this proposal only becomes fair if the 3-year formula is continued in the bill for Members. So at this particular time, with the possibility that the 3 years might be stricken from the bill, I could not support the amendment. I will take a position on the matter when I find out that the fate is of title II. I think the gentleman's amendment comes just at the wrong time.

Mr. DERWINSKI. May I say I believe the gentleman from Pennsylvania is an excellent tactician even though I may not necessarily concur in his strategy. But I think this is an amendment which as I stated earlier is self-explanatory by making the contribution for congressional employees and Members 8 percent in order to alleviate a great deal of criticism that might come from what I might say the fourth estate.

I, therefore, hope the amendment will have the quick support of the membership.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from Iowa.

Mr. GROSS. Does the gentleman have a copy of his amendment at hand?

Mr. DERWINSKI. Yes.

Mr. GROSS. Would the gentleman read the copy of his amendment which, I believe, refers to page 4, between lines 7 and 8.

Mr. DERWINSKI. At page 4, immediately below "7½—After October 31, 1956," insert the following: "8—After December 31, 1969."

Mr. GROSS. That does not include legislative employees.

Mr. DERWINSKI. Let me review the language in the bill on page 3, line 10—that is right. The gentleman is correcting me properly.

Mr. GROSS. Yes; this is the amendment that the gentleman from Pennsylvania (Mr. CORBETT) said he wanted to introduce and wanted to support.

Mr. DERWINSKI. Excuse me. I misread the amendment. It was my intention, in order to help the gentleman from Pennsylvania, to offer the very amendment that he has said he would support. That is why I wanted the gentleman's attention. You may say this is a "Corbett proposal misinterpreted by DERWINSKI." It does the very thing that the gentleman from Pennsylvania will do and at this time I presume I have his support.

Mr. HAYS. Does the gentleman not think the request of the gentleman from Pennsylvania (Mr. CORBETT) was a reasonable request? You are increasing the contribution in title I. Title II is wiped out. Why should we pay more into a fund that is already stable, one where we are paying sufficiently into it now for Members of Congress?

The CHAIRMAN. The time of the gentleman from Illinois has expired.

(By unanimous consent (at the request of Mr. HAYS) Mr. DERWINSKI was allowed to proceed for 2 additional minutes.)

Mr. HAYS. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. Yes, certainly.

Mr. HAYS. I think the gentleman should withdraw his amendment and offer it at a later time when we see what happens to this 3-year thing. He might get an acceptance of it.

I made a study of this, as the gentleman knows, in connection with the Foreign Service retirement last year, and found that, although the members' pension fund is not separate, it has made a profit of about 100 percent since it has been put into effect. In other words, there is about 100 percent more there now than has been paid out. You are, in effect, increasing contributions by more than has been paid out.

I have no objection to your amendment, but if you are going to continue to base it on 5 years, I do not see why Members of Congress should be taxed to the extent of building up a surplus more than they have already. In other words, we are now more than carrying our own weight in this matter.

I think this would be the thing to do. I commend the gentleman for what he has done, and I think it is eminently fair.

Mr. DERWINSKI. I thank the gentleman from Ohio for his contribution.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from Iowa.

Mr. GROSS. I thank the gentleman for yielding.

I have in hand a letter from Mr. Andrew Ruddock, Director of the Bureau of Retirement of the U.S. Civil Service Commission, in which he says this:

We estimate the total cost of the present retirement provision for Members of Congress will be about 25 percent of payroll.

In other words, if the Members of Congress were to pay what the Civil Service Commission says is their share of the cost of payroll, they would be paying 12.5 percent.

Mr. DERWINSKI. Mr. Chairman, I innocently, of course, added a new controversy to this bill, and that is why I would think we were at the point now where the members of the subcommittee and the full committee, having recognized for months the problems that they have, and presumably because of those problems have withheld floor action on this bill, might not just drop title II and solve the whole controversy.

Mr. DANIELS of New Jersey. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Illinois.

Mr. Chairman, as I stated originally when I took the floor today, the Subcommittee on Retirement Insurance and Health Benefits made an in-depth study of this legislation. It conferred with the heads of the governmental agencies such as representatives of the Civil Service Commission, the Bureau of the Budget, and the General Accounting Office, not only in the present administration, but in the prior administration, and they fully endorse the financing approach undertaken by this bill, the three-pronged approach, one of which is the increasing of the employees' contribution from 6.5 to 7 percent, with a like increase on the part of governmental agencies, making a total of 14 percent.

It was reported to our committee, and it is undisputed, that the normal cost for carrying the retirement benefits comes to 13.86 percent. So by virtue of each employee and his employing agency contributing a like sum, we have a total of 14 percent, resulting in a surplus of fourteen one-hundredths of 1 percent.

It was for that reason we have had the problem in title II. I am assured by all the witnesses who have appeared—and there is not a bit of testimony in the record to contradict this statement—that the financing under title I is not only adequate to take care of the sections of title I to put the fund on a sound economic and businesslike basis, but in addition thereto we have provided for those benefits provided in title II of this bill.

For that reason, Mr. Chairman, I rise in opposition to the amendment.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. DANIELS of New Jersey. I yield to the gentleman from Iowa.

Mr. GROSS. Mr. Chairman, does memory serve me correctly that there was an 8-percent contribution provided for Members of Congress in last year's bill?

Mr. DANIELS of New Jersey. In last year's bill this is absolutely true. But when we continued hearings it was the judgment of our committee that in view of the testimony that had been adduced that it was not necessary to increase the contribution of the Members. There is no reason why we should overcharge the Members of Congress.

Mr. GROSS. But the Director of the Bureau of Retirement in the Civil Service Commission says that the Members of Congress should be paying in 12.5 percent. In other words, a total payroll cost of 25 percent.

Mr. DANIELS of New Jersey. The Members of Congress would be required to pay 12.5 percent, and with the Government picking up 12.5 percent, as required by law, would make a total of 25 percent; yes, that amount of money would be necessary if we were picking up the debt. But I see no reason why Members of Congress have to pick up the debt. If we do, then we should compel Federal employees to do so. In that case you would need 24 percent with the employee contributing 12 and the Government contributing 12. So why should we make an exception with the Members of Congress?

Mr. GROSS. Mr. Ruddock predicated this on normal costs.

Mr. DANIELS of New Jersey. No, normal costs are an entirely different matter.

Mr. GROSS. That is what I am talking about.

Mr. DANIELS of New Jersey. No. When you refer to 25 percent you are referring to Members of Congress picking up the debt.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Illinois (Mr. DERWINSKI).

The amendment was rejected.

AMENDMENT OFFERED BY MR. GROSS

Mr. GROSS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. GROSS: Strike out all of title II beginning with line 1, page 8, and ending with line 17, page 10.

(By unanimous consent, Mr. GROSS was allowed to proceed for 2 additional minutes.)

Mr. GROSS. Mr. Chairman, I rise in support of my amendment to strike out title II of H.R. 9825 which contains provisions opposed by the administration.

The announced purpose of this legislation is to refinance the civil service retirement fund. This administration and the prior administration urged the Congress to eliminate the liberalization of retirement benefits contained in title II of this bill.

If we are to take any constructive action toward eliminating the \$61 billion retirement fund deficiency we cannot at the same time provide liberalizations in retirement benefits which amount to over \$1 billion.

The retirement benefits provided in title II are unnecessary at this time. The present retirement benefits for Federal employees are most generous and such benefits are equal to if not better than similar benefits provided employees in private industry.

One provision in title II would permit computation of annuities based on the high-3-year average salary rather than on the basis of the high-5-year average salary. This will increase the obligation of the retirement fund by \$337 million.

Retaining this provision in the bill is even more costly to the Federal Government if we consider the fact that it will encourage many experienced and competent employees to leave the Federal service before their productive and useful years of service are completed. The Federal Government has invested many millions of dollars in training experienced and knowledgeable employees. I do not believe we should unwisely waste this investment.

Also, to be considered is the fact that in the past several years substantial pay increases have been granted to Federal employees on the theory that we must attract and retain the best qualified persons in the Federal service. To encourage these employees to leave Federal employment prematurely is a disservice to the American people.

I need not remind my colleagues that this extreme liberalization in H.R. 9825 also provides benefits for Members of Congress which are, in my opinion, out of all proportion to their retirement needs. Under the provisions of title II of this bill, if adopted, Members would be voting to give themselves greater retirement benefits right on top of an exorbitant pay increase.

Another provision in title II proposes to give Federal employees retirement credit for unused sick leave at the time of their retirement at a cost of \$329.5 million to the retirement fund.

The underlying basis for laws granting sick leave benefits is that such benefits are a privilege granted by the Government to its employees for the purpose of time off with pay during periods of legitimate illness. They were never intended to be converted into retirement benefits. Sick leave is a protection for the employee and whether it is used or not, its existence creates an attitude of confidence for the employee to know that it is available if necessary.

The principal argument in support of crediting unused sick leave for retirement purposes is the contention that it would prevent sick leave abuses and therefore save payroll costs for the Government. This is a spurious allegation. The sick leave provision in title II will have the effect of encouraging employees to come to work when they are ill. Efficiency will decrease and the exposure of coworkers to illness in turn will create greater loss to the Government.

During the debate on this legislation on October 1, 1968, we were told that the sick leave provision in this bill would increase Federal payroll retirement costs by \$22 million annually. This year we are told that such costs will be increased by \$13.2 million. I am unaware of how this payroll cost could be reduced by almost one-half in less than a year, but it remains a fact that such provision is costly because it will increase the unfunded liability of the retirement fund by \$329.5 million.

Another inequity created by this provision is the clear discrimination against

those employees who, through no fault of their own, are forced to take legitimate sick leave for serious operations or catastrophic illness.

The sick leave provision in the bill completely reverses the basic concept of such leave which has governed its uses from its inception.

The other two retirement liberalizations proposed in title II are equally unmeritorious and will add \$393 million to obligations of the retirement fund.

The addition of 1 percent to all future percentage adjustments in annuities is an outright gift and cannot be justified on any objective basis. This provision costing \$243 million does not belong in this legislation.

The adjustment in survivor annuities for spouses who remarry provided in title II costing \$150 million does not belong in legislation primarily concerned with refinancing the retirement fund.

The record of the Congress is far from encouraging to millions of Americans who are experiencing the pressures of inflation in the form of higher taxes and higher costs of living with no relief in sight.

The examples that are being set in Congress provides the people with little confidence in a Government that continues to give its top officials record-breaking increases in salaries and retirement benefits.

We point with grave alarm to the inflationary pressures in our economy. We tell our constituents we cannot long survive if we continue on this path. We should reduce appropriations, but we increase them. Industry and labor are asked to hold the line. We point to the fact that some economic indicators suggest a slowdown in business, while at the same time interest rates continue to soar.

And in the first 6 months of 1969 we in Congress have done nothing except to encourage every inflationary pressure in our economy, and this bill is one of the worst examples.

I urge the Members to adopt my amendment striking out the unnecessary provisions in title II of H.R. 9825 and thereby save over \$1 billion in Federal funds.

Mr. MARTIN. Mr. Chairman, will the gentleman yield?

Mr. GROSS. I yield to the gentleman from Nebraska.

Mr. MARTIN. I wish to commend the gentleman for his remarks. I agree with him completely. I understand that the Post Office and Civil Service Committee is currently considering legislation which would increase further the pay of postal employees to the tune of approximately \$300 million a year, and that favorable consideration of this legislation is very imminent. Is that correct? Is that legislation in your committee?

Mr. GROSS. The bill, I assume, will be brought before the committee tomorrow. The estimate of its cost is \$300 million. I could not say to the gentleman whether it is more or less, but the preliminary estimates I have heard are close to that figure.

Mr. MARTIN. And that would further increase the amount of retirement benefits eventually, of course.

Mr. GROSS. That is correct, and I thank the gentleman from Nebraska for his timely observations.

Mr. DANIELS of New Jersey. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Iowa (Mr. GROSS).

Since the new combined contribution rate of 14 percent of payroll will actually exceed the present normal costs of benefits—now at 13.86 percent of payroll—the committee decided, in the interest of equity and fairness to Federal employees, to provide certain limited, but needed, improvements in the benefits structure of the retirement system.

Every single benefit proposal that had been introduced in the Congress in the past several years was carefully considered in both the subcommittee and the full committee. All were eliminated—primarily on the basis of cost—except the moderate liberalizations which are contained in title II. The normal cost of these improvements is fully covered by the new combined employee-employer contribution rate of 14 percent of payroll. The Civil Service Commission has assured the committee that the other funding provisions in title I will adequately take care of any increase in the unfunded liability which may result from the enactment of these benefits.

In brief, then, title I and II of the bill supplement each other and are integral parts of a total package that will not only put the Federal employees' retirement program on an actuarially sound basis but, also, make limited, but long overdue, improvements in the program.

Therefore, I urge the defeat of the proposed amendment.

I would also like to read from a letter from the U.S. Civil Service Commission, dated May 22, 1969, addressed to me as chairman of the Subcommittee on Retirement, Insurance, and Health Benefits:

HON. DOMINICK V. DANIELS,
Chairman, Subcommittee on Retirement, Insurance, and Health Benefits, Committee on Post Office and Civil Service, House of Representatives, Washington, D.C.

DEAR MR. DANIELS: This is in reply to your letter of May 13.

In my opinion, Title I of H.R. 9825, as reported by the Committee on Post Office and Civil Service, does make adequate provision for financing the additional normal cost and the unfunded liability that would result from the enactment of Title II of the bill.

Sincerely yours,

ROBERT E. HAMPTON,
Chairman.

Therefore, Mr. Chairman, I urge the defeat of the proposed amendment.

Mr. HAYS. Mr. Chairman, I move to strike the last word.

Mr. Chairman, I hope that the amendment offered by the gentleman from Iowa is not an attempt to get Congressmen cut out of this, which would also hurt all other Federal employees as well. As I said earlier, I made a little study of this Federal pension system. It all depends upon whose figures we want to take. We can get all the actuarial figures we want, but these are all suppositions. I am not going to deal with actuarial figures, but I am going to tell

Members when this congressional pension fund was set up in 1946, everybody who was in the Congress was blanketed in as though he had been paying into it all the time he had been here. Members with 20 years of service, with 30 years, with 5 years or 10 years, whatever it was, they all started paying into it as of the beginning of the fund.

If we have that clear, let me tell Members what happened. Over the years, with all those people blanketed in, and with some of them retiring immediately, without contributing anything, I imagine, and some of them retiring after 2 years with 25 years of service and contributing only for 2 years, in spite of that, if the fund were separate, and if we had separate figures, the fund would show \$7 million more was paid in than was paid out.

I proposed to increase contributions to 10 percent and increase benefits by 2.5 percent, because 7.5 percent is to 2.5 as 10 percent is to 3.3, but the gentleman from Iowa (Mr. GROSS) and others said we would destroy the fund. I remind Members the fund started with no pay in, nothing, and it has made money.

Mr. UDALL. Mr. Chairman, will the gentleman yield?

Mr. HAYS. I yield to the gentleman from Arizona?

Mr. UDALL. Mr. Chairman, I commend the gentleman from Ohio for the statement he is making.

I certainly agree with the gentleman that one of the troubles I found in my studies of this, one of the places where people get misled is they take nice actuarial figures which deal with all kinds of typical industrial employees who look forward to retiring and are forced to quit then by the rules of the company and do retire at 65. Then they apply those figures to the people who serve in Congress. But in this institution many Members serve into their seventies and into their eighties and do not retire as soon as typical industrial employees.

The figures given by the gentleman are correct.

Mr. HAYS. Mr. Chairman, I thank the gentleman from Arizona.

Mr. Chairman, I want to comment on the actuarial figures which are used by the insurance companies. They charge people money and pay people on retirement, but who has all the money in this country? Which are the richest people in this country? Which are the richest corporations? I am not running them down, but it is the insurance companies, and they operate on actuarial figures. They figure not only what we pay in and what is taken out, but the profit they make. That is taken into consideration.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. HAYS. Mr. Chairman, I will yield to the gentleman from Iowa, but before I do, I want to comment on the statement about the exorbitant salaries for us. I assume the gentleman is accepting his salary increase, as he indicated to me the other day?

Mr. GROSS. As long as the gentleman voted it, I will take it.

Mr. HAYS. The gentleman voted against it, but he will take it.

Does the gentleman have a question?

Mr. GROSS. Mr. Chairman, I expect I am worth about as much as the gentleman.

Mr. HAYS. That is a matter of opinion. If the gentleman were to put that to a vote, he might lose.

Mr. GROSS. It is a matter of opinion.

Mr. HAYS. I said it is a matter of opinion. The gentleman thinks he is worth as much as I am, and I think he is worth about half as much. It is a matter of opinion.

Mr. GROSS. The gentleman speaks of actuarial figures. The retirement fund is actuarially unsound to the tune of about \$60 billion.

Mr. HAYS. I am talking about the Members' fund and the gentleman is talking about a fund that is actuarially unsound, as the gentleman puts it, because for many years the Government did not put in its share. That is the reason it is actuarially unsound, and the gentleman knows it and I know it.

Mr. GROSS. Mr. Chairman, will the gentleman yield?

Mr. HAYS. I yield further.

Mr. GROSS. Mr. Ruddock has had many years of experience in this business. He is the Director of the Retirement Bureau in the Civil Service Commission, and he says that to meet the normal costs of this fund the Members of Congress should be putting in 12½ percent of their pay.

Mr. HAYS. That is what you say. That is what the letter to you says. That fellow is anti-Congress. You know it. I know it.

Again, that is his opinion. I am stating to you how much money is there, and how much profit has been piled up by the Members' contributions. You cannot deny those facts and those figures, because if you write him a letter he will have to tell you that is it.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. SCOTT. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I am opposed to the amendment offered by the gentleman from Iowa to strike title II of the bill.

The present normal cost of all benefits being earned by employees covered by the retirement program is 13.86 percent of payroll. Since title I of this bill sets a new combined contribution rate of 14 percent of payroll, we would be overcharging employees unless some limited benefits were given to them within the framework of the new contribution rate.

Under this amendment we would raise the employee contribution from 6½ to 7 percent without any benefit of any nature to them. I believe in fairness we must admit that the Government, not the employee, is responsible for the present deficit. The employee over the years has been putting in his share of the cost of this fund and the Government oftentimes has not.

Many proposals have been introduced in the Congress over the years to liberalize the retirement program in a number of ways. Our subcommittee and the full committee carefully considered these proposals, and all of them except the moderate liberalizations contained in title II were eliminated primarily on the

basis of cost. It is also significant to point out that the Federal employees' retirement program has remained rather static since the retirement act amendments of 1956, and that the moderate liberalizations contained in title II represent the first real improvements in this program in the past 13 years.

Mr. Chairman, in the opinion of the majority of the members of the committee, titles 1 and 2 complement each other and each title is an integral part of a total package that not only will put the Federal employees' retirement program on an actuarially sound basis, but also will improve and modernize the program.

Title 2 will improve the retirement program and its elimination from the bill would be grossly unfair to all Federal employees. The normal cost of all benefits provided in title 2 is completely covered under the new combined contribution rate of 14 percent of payroll, and we are reliably informed by the Civil Service Commission that the other financing provisions of the bill adequately take care of any increases in unfunded liabilities.

If we eliminate title 2 we destroy one of the principal purposes of this legislation. We will be denying to our Federal employees certain benefits to which they are entitled and for which they will be paying.

Mr. Chairman, I urge the membership in the interest of fairness and equity, to vote down this amendment.

Mr. CORBETT. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, my chief objection to this amendment, as stated by my colleague, is the fact that we are charging the employees a half percent more of their salaries and in return therefor they should get something.

It is exactly in that spirit, in the event this amendment is voted down and the 3-year formula prevails, that I will make the recommittal motion raising the Member's contribution to 8 percent of salary. I do this because if we are going to get the benefit, we ought to pay for it. We are definitely charging the employees a half percent more. Therefore, they should get something for their money. Again, if we raise our own payment to 8 percent, we are maintaining the historical differential of 1 percent between the employees and the Members.

Mr. Chairman, I urge the defeat of this amendment.

Mr. KYL. Mr. Chairman, I move to strike out the requisite number of words.

Mr. Chairman, there is one serious matter which has not been discussed at length and of which this body should be cognizant. We can talk about statistical tables, economics, and economic laws. We all recognize that psychological reaction is an important thing. Perhaps one of the greatest benefits of last week's scientific achievement is the psychological effect of the moon shot on the governments and the people of all the nations of the world.

The people of this country today are in a state of unrest. Their paycheck does not reach from one week to the next. Living costs are high. Interest rates are high.

So the people attack the symbol of all their difficulties, which is taxes, and they shout loudly for tax reform.

The point I make is this, Mr. Chairman: In our present circumstance especially, it is very important that the Congress of the United States and especially this House, which I consider to be the very heart of our free system of representative government, must be aware of public attitudes. If the people lose faith in this body, then they lose faith in the fundamental institutions of this great Nation. Anything which seems to be a self-serving process engaged in by Members of Congress further dissipates the respect and the faith that the people have for their Government.

I do not present myself as one who is more ethical or more moral than any other in this body, but I do feel very keenly that we must not only do those things here which are right and refrain from doing those things which are wrong, but we must also refrain from doing those things which seem wrong to vast segments of the electorate. Even if the preponderance of the evidence makes it logical that the Members of Congress should have an adjustment in their retirement program, this is no time to effect that adjustment. Therefore, I join my colleague in supporting his amendment.

Mr. MOSS. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, I listened rather carefully to the remarks of the gentleman who has just concluded. They have a great deal of appeal, but I think we should recognize that we have a responsibility here as the directors, for all practical purposes, of this fund for all of the employees of the Federal Government and that we should provide reasonably competitive working conditions. I believe throughout the industries of this Nation the majority of retirement systems would compare very favorably to, and with a great deal of advantage over, that which we offer to the employees of the Federal Government.

Mr. Chairman, I would like to point out a few facts of the matter of retirement. I am not totally unfamiliar with it. I worked on the last retirement bill that made any significant change in the system of the Federal employees retirement system.

What we are talking about here for congressional Members is .0001908 of 1 percent, roughly one-fiftieth of 1 percent or seven-tenths of 1 percent, the amount that changing the formula from 5 years as the basis for computation of retirement to 3 years would cost in its entirety, or \$15.4 million a year. That is what we are talking about with reference to cost. One-fiftieth of that is attributable to congressional employees. Now, we are doing this by raising the rate of employee contributions, a rate of contribution which in my judgement as I stated previously exceeds that of many corporate employers today.

In fact, many of the systems require no contribution from employees. We in the Federal Government have systems requiring no contributions from the em-

ployees. We have this procedure in our judicial system and we have it in our military system.

This is an attempt for the first time in 13 years to bring a measure of greater equality to a system which is designed to provide for the men and women who render faithful service to this Government. I am one of those who believes that the average employee of the Federal Government is equal in every respect in competence and in dedication to the average employee of American industry.

I think there is an awful lot of fussing and fuming being made here on the premise that somehow or other if you can criticize Congress loudly enough, it is going to produce votes in your district. I have pride in the Congress and I have pride in the Federal service. I have a deep conviction that I am worth what I voted for as a salary and I think that those gentlemen who feel that the salary was outrageous or unconscionable should make every effort to return it to the people. They have made the judgment and not I that they are worth less than the amount they are being paid.

It is difficult for me to understand the reasoning here today, "if it comes, give it to me, but I am opposed to it."

If I were opposed to it, I would fight it all out and I would not want the benefits of it. But the great majority of people concerned with the civil service retirement system have not the privilege of the floor of this House and they cannot come here and tell their story. I think we should listen a little bit to them. They are our employees.

The CHAIRMAN. The time of the gentleman from California has expired.

Mr. DERWINSKI. Mr. Chairman, I move to strike the requisite number of words.

(Mr. DERWINSKI asked and was given permission to revise and extend his remarks.)

Mr. DERWINSKI. Mr. Chairman, I rise in support of the amendment.

Mr. Chairman, I recognize that the House is in a mood for a vote and I also recognize from a quick glance at the membership that this amendment will probably be rejected. But I would like to point out that this debate has now degenerated completely beyond the purpose of the amendment.

I would like to state that the primary purpose of this bill is to improve the financial condition of the retirement fund.

Title II does a disservice to the financial condition of the retirement fund. Title II includes little things that are often referred to as Christmas-tree items, that type of thing that the other body loads into many House bills. I do not believe it would be wise at this point for the House to accept a title in which Christmas-tree items are loaded into this retirement fund. The gentleman from Iowa is actually performing a great service to the House in offering his amendment. The delay of 3 months, and the concern the members of the committee have had in bringing this bill to the floor, could well have been alleviated if we took this amendment and struck title II from the bill. We would then achieve

the purpose of strengthening the financial condition of the civil service retirement fund. There would not be any controversy, any quibbling, or any debate over the solvency of the fund.

For that reason, Mr. Chairman, I would suggest that we support the amendment offered by the gentleman from Iowa.

Mr. BRASCO. Mr. Chairman, would the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman from New York.

Mr. BRASCO. I thank the gentleman for yielding.

I was curious—and certainly in committee I respect the opinion of the gentleman, and certainly his intelligence, and I am wondering whether or not the gentleman considers the restoration of the widow survivors' annuity a Christmas-tree decoration?

Mr. DERWINSKI. No, but under the procedure which we are following we have no choice but to take this title.

Mr. BRASCO. But the gentleman would be for that?

Mr. DERWINSKI. Yes.

Mr. BRASCO. I thought the gentleman would.

Mr. Chairman, I would like to ask another question. I am wondering whether or not the gentleman considers to be a Christmas-tree-decoration approach, the 1 percent cost-of-living increase for retired employees, when we know the cost-of-living index has risen from, say, December of last year, until now, about 2-point-something percent. Does the gentleman not think retirees would need that in order to live?

Mr. DERWINSKI. Yes, and we could even do better than that in a separate bill. But that is the very reason that I used the term "Christmas tree" approach, because you lump a few of these items into a title in order to carry a few other items, and that is the issue this afternoon.

Mr. BRASCO. Is the gentleman against that, though, specifically?

Mr. DERWINSKI. No.

Mr. BRASCO. The gentleman would be for that?

Mr. DERWINSKI. But I am against the entire title, because of how it is being used, and therefore it is a Christmas-tree title.

Mr. BRASCO. Because I assure the gentleman—

Mr. DERWINSKI. Just one moment. I would hope that the gentleman would use his abnormal influence on that side to join with me with regard to the Christmas-tree items.

Mr. BRASCO. Mr. Chairman, I suggest to the gentleman at this point that the gentleman's Christmas tree is drooping and that is why I want to find out just how much of a Christmas tree it is. Those are two items that the gentleman seems to agree with.

Mr. DERWINSKI. Let me just say this to the gentleman—

Mr. BRASCO. Let me ask about the third item.

Mr. DERWINSKI. It is not my Christmas tree.

Mr. BRASCO. Well, it is the gentleman's description of this bill.

Mr. DERWINSKI. All I am trying to do is to preserve the portion of title II which is the guts of the bill, which is the one thing that we should not purposely just overload.

Let me say that I did not directly participate in the overloading of title II which the gentleman from Iowa is seeking to correct by his amendment.

Any item which will stand on its own merits we could take up, we do have a meeting tomorrow, and pass out a new bill.

Mr. BRASCO. I suggest the gentleman is for retrenchment, but not for retreat.

Mr. DERWINSKI. Mr. Chairman, I yield back the balance of my time.

Mr. KEITH. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I really had not intended to take the microphone, but there have been some charges made here on both sides of the aisle by the proponents and opponents of this particular legislation, having been in the life insurance business I would like to make a few comments that might help us to see what it is we are voting for or against.

In the first place, the profit question our colleague from Ohio referred to is not profit, in my view.

It is forward funding to meet the liabilities that will occur or accrue at the time we reach retirement age. It is the reserve to pay the claims when they mature.

I did a little computing as I was listening to the debate as to what would happen if this goes through and how much a Congressman would get—how much he would pay in—and how much it would cost the Federal Government to pay its share.

Mr. HAYS. Mr. Chairman, will the gentleman yield?

Mr. KEITH. I am glad to yield to the gentleman.

Mr. HAYS. Will the gentleman deny that insurance stocks are about the best buy on the market and that insurance companies are making the most profit of any corporations in the country? Of course, I am not against that. But you can call that forward funding or whatever you want to.

Mr. KEITH. I do not want to waste the gentleman's time. The insurance companies are supposed to be good investments. I was with a mutual insurance company and the policyholders got dividends and no profits as such.

Mr. HAYS. And I suppose the president got a pretty high salary, did he not?

Mr. KEITH. Yes, they certainly did and they got a better plan than we are getting.

But if you are interested in what you are going to get and how much it is going to cost—at the outset I have done a little computing on this and it might be helpful to you.

So if you have a salary of \$42,500 and if you work here for 20 years, we would have earned a total of \$950,000 during 20 years time and when we put in 8 percent and add a little interest to it, which the total value of that contribution might be somewhere in the vicinity of \$125,000 when you add the interest portion to it. The benefits when you reach age 60 will be 50 percent of

pay—that is 20 years times 2½ percent. Fifty percent of \$42,500 is \$21,250 which divided by 12 means you get about \$1,300 a month.

Now—what is such a pension worth? How much would it cost to buy \$1,300 a month.

At age 60 it costs about \$15,000 to buy \$100 a month so multiplying it out, your pension works out to be worth approximately a couple of hundred thousand dollars.

That is what the insurance company would charge you roughly if you were 60 years old and were to buy a pension of \$1,300 a month. It is a pretty good pension—and I happen to think it is a little generous in this instance. I am going to vote against the amendment.

Now as to the provision of a pension for your second wife—should your first wife predecease you—if you are going to get remarried and you want to transfer some pension to your new wife maybe the insurance company is the best bet, rather than adding such a fringe benefit to our own pension system. Are we supposed to take care of ourselves and our wives and their successors? If we do all of this through this pension plan there would be fewer opportunities for the private companies to which our colleague from Ohio referred. I would think we should patronize the private sector for our private benefit for our second wife who may become a widow.

In any event, I just had these thoughts and I thought I would share them with you. I think our present plan is generous enough and we should not in these times of high taxes vote ourselves any pension benefits that will increase taxes.

Mr. HOGAN. Mr. Chairman, I move to strike out the last word and rise in opposition to the amendment.

(Mr. HOGAN asked and was given permission to revise and extend his remarks.)

Mr. HOGAN. Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Iowa.

The proposed "pay off" for sick leave is not an expensive benefit. In fact, it will be paid from the \$220 million collected each year by increasing the employee-employer contributions to 7 percent. The formula prescribed in the bill would grant 1 month of service credit for each 22 days of unused sick leave. The normal cost of this benefit, estimated at \$13.2 million, would be equally shared by employees and employing agencies, each contributing \$6.6 million toward such normal cost.

In testifying for this cost, representatives of the Civil Service Commission also stated that, if this provision served as an incentive to reduce the overall usage of sick leave by only 1 day each year, that savings would exceed \$90 million annually.

My reading of the CONGRESSIONAL RECORD shows that during last year's debate, and again during committee consideration of this incentive provision, the opponents argued that, first, there is no justification for "payoff" or "incentive legislation" to encourage or motivate employees to conserve sick leave; and second, sick leave has been granted by

Congress for only one purpose: to protect employees against loss of income during periods of illness.

The reasons used by opponents may have been valid in the past, but do not meet the problems of today.

The Congress and most State, county, and city governments are enacting or proposing many forms of incentive legislation to accomplish specific objectives. Congress has passed incentive legislation which rewards more than 1,600 prosperous farmers with subsidy payments of \$50,000 or more per year for not planting crops. Congress has passed generous incentive legislation to encourage or motivate oil companies to constantly expand their search for more oil. Congress has also passed incentive legislation to encourage or motivate military reenlistments, to build highways, tear down slums, build low-income housing projects and we also grant subsidies to railroads and airlines.

All of the Government agencies also encourage or motivate their employees with cash awards for adopted suggestions and superior performance of duty. The cash spent on incentive sick leave legislation to motivate employees to conserve sick leave would return more savings to the Government than the money which is now spent on superior achievement awards.

Incentive sick leave legislation would also provide some monetary protection to many conscientious employees who now forfeit 1,000 to 2,000 hours of sick leave at time of retirement, and sometimes become seriously ill after retirement.

Many States, counties, and cities now have effective incentive sick leave provisions for workers. I have some interesting data on the results of these laws. The following information is based on a sick leave survey of 67 State, county, and city agencies taken in 1967:

The average number of sick leave days granted by these agencies was 13½ days as compared to the 13 days granted Federal employees.

Twenty-four agencies, or more than one-third of the 67 agencies surveyed, had some type of sick leave incentive plan. There is, of course, presently no incentive sick leave plan in any Federal agency.

The average number of sick leave days used annually in the non-Federal agencies was 7.1 days. The average number of sick leave days used annually by Federal employees is 8.5 days and 10 to 11 days per year in some of the larger post offices.

Statistics show that the use of sick leave increases materially during the last working year before an employee retires or resigns from the Federal service. This use of sick leave by Federal employees is probably motivated by the use-it-or-lose-it situation now prevailing.

Most of the non-Federal agencies surveyed claimed that the use of sick leave was reduced after the adoption of a practical incentive sick leave plan.

The State of Michigan, which has 42,000 employees, released a report on July 27, 1967, which stated:

The average use of sick leave by State Civil Service workers declined for the third straight year during 1966. A Civil Service Department study showed that although full-time classified workers are allowed 13 days' sick leave a year, the actual use last year averaged 7.61 days. Employees may accumulate unlimited sick leave and are paid one-half of the total on death or retirement.

H.R. 9825, which is before us today, does not provide even 50 percent of the hourly compensation allowed the State of Michigan employee. If a Federal employee lives for 12 years after retirement, he would receive only 24 percent of the average salary from H.R. 9825, whereas the Michigan State retiree receives 50 percent of his hourly rate at time of retirement, multiplied by all of his unused sick leave hours.

Many other States, counties, and cities now have or are considering incentive sick-leave legislation to reduce absenteeism and thereby save on replacement costs.

The Ohio State legislators are considering a bill that would provide a lump-sum payment for a maximum of 180 days, or 1,440 hours, of sick leave at time of separation or retirement. Terminal pay would be based on the individual's daily rate of pay at the time of his leaving.

Incentive sick-leave legislation would benefit the Government and also motivate Federal employees to conserve sick leave. The cost to a Federal agency for each employee who uses all of his sick leave before he retires is approximately \$8,000, and this cost factor will increase each year. Additionally, considerable cost is frequently involved to replace the sick employees.

Mr. Chairman, the importance of retaining the limited credit for unused sick leave in this legislation cannot be overemphasized. I urge defeat of this amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa (Mr. Gross).

The question was taken; and on a division (demanded by Mr. Gross) there were—ayes 64, noes 147.

So the amendment was rejected.

AMENDMENT OFFERED BY MR. BENNETT

Mr. BENNETT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BENNETT: On page 10, immediately after the period at the end of section 205, insert the following: "Notwithstanding the prohibition contained in the first sentence of this section on the payment of annuity for any period prior to the enactment of this section, in any case in which the Civil Service Commission determines that—

"(1) the remarriage of any widow or widower described in such sentence was entered into by the widow or widower in good faith and in reliance on erroneous information provided in writing by Government authority prior to that remarriage that the then existing survivor annuity of the widow or widower would not be terminated because of the remarriage; and

"(2) such annuity was terminated by law because of that remarriage; then payment of annuity may be made by reason of this section in such case, beginning as of the effective date of the termination because of the remarriage."

Mr. BENNETT. Mr. Chairman, this is the amendment I have already discussed.

Mr. DANIELS of New Jersey. Mr. Chairman, will the gentleman yield?

Mr. BENNETT. I yield to the gentleman from New Jersey.

Mr. DANIELS of New Jersey. I would like to ask the gentleman in the well whether this is the amendment he discussed previously.

Mr. BENNETT. It is.

Mr. DANIELS of New Jersey. On behalf of myself and the members of the committee on the majority side, we accept the amendment.

Mr. BENNETT. May I hear from the minority?

Mr. SCOTT. We have no objection to the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Florida.

The amendment was agreed to.

AMENDMENT OFFERED BY MR. BUCHANAN

Mr. BUCHANAN. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. BUCHANAN: On page 8, strike out lines 3 through 6 and insert in lieu thereof the following:

"SEC. 201. Paragraph (4) of section 8331 of title 5, United States Code, is amended to read as follows:

"(4) 'average pay' means the largest annual rate resulting from averaging—

"(A) an employee's rates of basic pay in effect over any three consecutive years of creditable service; or

"(B) a Member's rates of basic pay in effect over any five consecutive years of creditable service;

with each rate weighted by the time it was in effect;".

Mr. BUCHANAN. Mr. Chairman, it is frankly with regret that I offer this amendment to legislation which I do support. I commend the chairman of the subcommittee and the other members of the subcommittee in reporting out this bill, and also the members of the Post Office and Civil Service Committee. It has been my privilege in a previous Congress to serve as a member of that subcommittee and to become aware of the need for legislation to improve the funding of the Federal retirement system. It does strike me, therefore, as meritorious legislation deserving of our support, and a step toward meeting that need of better funding.

Because the real problem is the lack of Federal payment of its share of the cost of the retirement program through the years, and because the employees have paid their share, I feel it equitable and just that they should receive additional benefits from adding to this cost of the retirement system to them. Therefore, that which they desire, the reduction from 5 years to 3 years as the years upon which to figure their retirement, and the very meritorious provision which provides for sick leave being counted toward retirement—these, I think, are equitable.

Nor would I challenge the value of Members of Congress nor express any lack of confidence in the worth of every Member of this body. I believe in the

people of this country, and I believe in their elected Representatives.

Mr. Chairman, this is not the best of all possible worlds, and even though I know there is not a Member who sponsored this bill and there is not a Member who reported it out of committee and there is not a Member who will vote for it on the floor this day who is doing it to benefit himself, we all know it is being so portrayed, and it can be so portrayed, and it will be so portrayed, and the people in many cases will, in fact, believe that Members are voting another benefit to themselves on top of the salary increase.

Because I share the concern of the gentleman from Iowa (Mr. KYL) that not only should we be doing right, but also the people should understand that this is a responsible body that is concerned about our fiscal crisis, and to show this is a body that is trying to pass legislation on its merits and not for the Members' self-benefits, I cannot in good conscience fail to offer this amendment to take the Members out of the provisions of this bill.

If my amendment is adopted, it will simply do this: Members at present, like others in the Federal retirement system, upon meeting the qualifications for a retirement annuity, receive a pension, the amount of which is based on the average of their salary during the highest 5 years of their Federal service, which is taken into consideration in figuring their retirement. If my amendment is adopted, this will continue to be the case. If this is not adopted, we will, with other people participating in this system, have to serve only 3 years at our new salary level in order to retire at the higher retirement figure.

I urge support of this amendment, although I offer it regretfully.

Mr. CORBETT. Mr. Chairman, will the gentleman yield?

Mr. BUCHANAN. I yield to the gentleman from Pennsylvania.

Mr. CORBETT. Mr. Chairman, I thank the gentleman for yielding.

Does the gentleman from Alabama not believe if we change the bill further to raise our own payment into the fund, that we will be in effect paying for this very slight benefit?

Mr. BUCHANAN. I will say to the gentleman I will support his proposal and will vote for it, but we already have a richer formula than the other people in the system and, therefore, it seems to me that putting us on a more equal footing might well justify a heavier contribution to the system. Therefore, I will support both my amendment and the proposal of the gentleman, and feel that both are justified.

Mr. CORBETT. Mr. Chairman, I thank the gentleman.

Mr. OLSEN. Mr. Chairman, I rise in opposition to the amendment.

Mr. Chairman, we have already been over all this subject. The fact of the matter is that the fund has made a profit from the Congress. That is the shape of things today. That will continue to be the fact. So there is nothing at all wrong with the proposition of our enjoying the same benefit of retiring on the high 3

years as any other Federal employee will enjoy. I submit that there will still be a profit in the fund with this new bill.

Mr. Chairman, I hope we can defeat this amendment unanimously.

(Mr. HARSHA asked and was given permission to revise and extend his remarks.)

Mr. HARSHA. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in support of the amendment of the gentleman from Alabama. I am not arguing the cause of whether or not Members of Congress are entitled to more liberalized retirement benefits—they undoubtedly are, but this is not the time nor is this Nation in a fiscal situation to warrant such action.

The administration has just asked the Congress to continue the surtax for another year. In doing so the President has made it abundantly clear that without this tax this country would face economic chaos and inflation that would make our present inflationary spiral look weak by comparison. I cannot, therefore, in good conscience ask the already overburdened taxpayer to pay additional taxes and vote to liberalize my own retirement benefits. The American people expect their Representatives to exercise prudence and economy in spending their tax dollars. Under our present fiscal dilemma I do not consider liberalizing congressional retirement benefits either prudent or good economy and therefore must support the amendment. I urge the House to accept this amendment and strike from the bill that provision which liberalizes congressional retirement benefits. Let us not put any more burden on the already fatigued taxpayer.

Mr. DANIELS of New Jersey. Mr. Chairman, I move to strike the requisite number of words.

Mr. Chairman, I rise in opposition to the amendment offered by the gentleman from Alabama, a former and highly respected member of this subcommittee. We have been over this question. I think every Member of the House understands it. We have gone through it not only during the course of debate, but in the course of discussion of previous amendments that have been offered.

So, Mr. Chairman, I urge Members to vote this amendment down.

Mr. MYERS. Mr. Chairman, I move to strike the requisite number of words.

(Mr. MYERS asked and was given permission to revise and extend his remarks.)

Mr. MYERS. Mr. Chairman, in general, I supported the amendment offered by the gentleman from Iowa (Mr. GROSS). As it affected other employees, other than Members of Congress, I was not in complete agreement, but I did vote for the amendment. The need for improving the financing and funding for the civil service retirement system is certainly in order and much needed. In fact this should have been done several years ago. It seems to me that now is the time since it was not done earlier to start restoring the solvency of our Government and its agencies.

The argument has been made that the funds paid in by Members of Congress has been much greater than the amount

paid out as retirement benefits to retired Members. This is good, but let us keep it that way. The \$7 million now in the fund is the best protection I can think of to keep the fund strong. I wish other agencies of our Federal Establishment were in as good of shape financially. But this is no reason to raid the account now.

I hope to be able to vote for this bill. The refinancing feature to build up the account is good. I will find it difficult to support the bill, however, if it contains the provision for recalculation of time for Members.

This amendment now offered by the gentleman from Alabama (Mr. BUCHANAN) does what is needed and I will support it.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Alabama (Mr. BUCHANAN).

The amendment was rejected.

AMENDMENT OFFERED BY MR. GROSS

Mr. GROSS. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. Gross: On page 6, strike out all of line 1 and insert in lieu thereof the following:

"(f) Any statute which authorizes, effective on or after July 1, 1969—".

(Mr. GROSS asked and was given permission to revise and extend his remarks.)

Mr. GROSS. Mr. Chairman, the purpose of my amendment is to make the provisions of title II of this bill conform to the policy established under title I. This simply means that the Government shall pay costs of every increase in unfunded liability created in the retirement fund by new legislation, including three liberalizations granted in title II, through equal annual appropriations installments over a 30-year period.

This bill is brought to the floor of the House of Representatives with a great deal of fanfare and laudatory comments by the proponents who say that at last we are putting the retirement fund on a sound financial basis. However, in the next breath they state that the liberalizations created under the provisions of title II of the bill shall not be subject to the 30-year financing provisions of title I. This is inconsistent and makes the bill a mockery. To millions of Federal employees who have invested their retirement deductions in the retirement fund, which has a \$60 billion deficit, this action and this inconsistency is a cruel hoax.

I hope the Members will read my comments on this matter on pages 37 and 38 of the committee report on H.R. 9825, which explain in detail what the committee has done.

I call attention specifically to the statement by the Director of the Bureau of the Budget, who on April 22, 1969, stated:

This administration is thoroughly in accord with the objective of fiscal responsibility which your proposed amendment is intended to achieve.

It is unnecessary to debate the question as to whether the bill actually creates the inconsistency which my amendment corrects. I raised this ques-

tion during committee deliberations on this legislation and the author of the bill agreed that the 30-year funding provisions in title I do not apply to the liberalizations in title II. However, a quick reading of subsection 103(a)(2)(f) on page 6 of the bill leads one to the conclusion that it is intended to cover the costs of all future liberalizations.

My amendment covers the following liberalizations and increases in the unfunded liability contained in title II of the bill:

First. High 3-year average, \$337 million.

Second. Sick leave credit, \$329.5 million.

Third. Survivor annuity, \$150 million.

In addition, my amendment will apply to the Federal pay raise effective this month which will increase the liability of the retirement fund by \$3.4 billion.

The total increase of \$4.2 billion in the unfunded liability of the retirement fund under my amendment, would be authorized to be paid into the fund in 30 annual equal appropriation installments, as provided in subsection 103(a)(2)(f) of the bill.

Mr. Chairman, I re-emphasize my deep conviction that something must be done to prevent the constant erosion of the employees' and Government's contributions to the retirement fund. Title I of this bill, in some measure, secures this objective. But, I am certain that we cannot go on indefinitely into the future exempting liberalizations from the financing provisions of the bill.

The proponents of the bill will argue that to exempt the liberalizations in this bill is not of great importance provided we do not exempt them in the future. I disagree. If we are going to establish a policy of the nature contained in title I, then I think now is the time to adhere to that principle and not wait until some indefinite time in the future.

I urge the Members to support my amendment.

Mr. DANIELS of New Jersey. Mr. Chairman, I rise in opposition to the amendment offered by my good friend from Iowa (Mr. Gross) a member of the Post Office and Civil Service Committee.

The amendment would add nothing to the value of the bill as a means to strengthen the financing of the civil service retirement system.

The general philosophy of this legislation is—for very practical reasons—to eliminate present unsound financing practices on a gradual basis, spread over a reasonable period of years because of the tremendous sums involved, and thereby preclude excessive impact on any one or a few annual budgets.

The proposed amendment would depart from this policy and, if adopted, would have an excessive impact on budgets in the immediate future.

In fact, adoption of this amendment would most seriously endanger final approval of this desperately needed legislation.

The officials of the Civil Service Commission assure the committee that title I of H.R. 9825, as reported, makes adequate provision for financing the additional normal cost and the unfunded li-

bility which would result from enactment of title II of the bill.

If the distinguished gentleman's amendment was adopted, the budget for the fiscal year 1970 would require a supplemental appropriation request of \$55.6 million to cover title II benefits, and a \$178½ million request for the July 1969 salary increases, or a total of \$234.1 million.

The budgetary impact will be eased by financing these items as contemplated in the bill by requiring a \$15¾ million payment in 1971—10 percent of the interest due thereon—progressing by an additional \$15¾ million each year, until in 1980 and thereafter interest thereon would entail a payment of \$157½ million yearly.

Adoption of the amendment could very well preclude the bill's final enactment in this session of Congress.

For those reasons, Mr. Chairman, I oppose the adoption of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Iowa (Mr. Gross).

The amendment was rejected.

AMENDMENT OFFERED BY MR. CORBETT

Mr. CORBETT. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CORBETT: On page 3, lines 10 and 11, strike out "and a Member." and insert in lieu thereof "and 8 percent of the basic pay of a Member."

On page 4, between lines 7 and 8, amend the table headed "Member for Member service" by adding the following new lines:

"8 ----- after December 31, 1969."

Mr. CORBETT. Mr. Chairman, I had earlier stated that I was going to put in a recommittal motion to this same effect. I thought it better, since title II has been preserved, to offer it at this time as a straight amendment. It would simply increase the payment by Members into the retirement fund from 7½ to 8 percent. There are two reasons for this. No. 1, it maintains the 1 percent differential which has existed historically between what the employees pay and what the Members pay, but more importantly, for the very small amount of benefit that the 3-year formula would give us as opposed to the 5-year formula, I believe that we ought to be willing to pay for it. As a matter of fact, if our pensions were raised a great deal more, I, for one, would certainly be willing to pay a great deal more into the fund. But in any event I do hope this amendment will be adopted in order that we can go to the public and say that we paid for what we are getting. Now, the psychological effect is something different. eW, again, are faced with the fact that we must do the right thing regardless of what someone seems to think we did.

So, Mr. Chairman, I urge the adoption of this amendment.

Mr. DANIELS of New Jersey. Mr. Chairman, I move to strike the requisite number of words.

(Mr. DANIELS of New Jersey asked and was given permission to revise and extend his remarks.)

Mr. DANIELS of New Jersey. Mr. Chairman, I believe all Members of the

House understand this amendment very well, the proposal which has been offered by the ranking minority member of the committee because it is one-half of the amendment that was offered earlier this afternoon by the distinguished gentleman from Illinois (Mr. DERWINSKI).

That original amendment provided for an increase to 8 percent in contributions not only of congressional staff members, but also the Members of Congress. So, what the distinguished ranking minority member would do, in proposing his amendment, is to confine his amendment strictly to Members of Congress.

I would like to point out one further thing: Just bear in mind, gentlemen, that if you are elected for 3 years beyond the present session of Congress, it does not make a particle of difference if we have the highest 5 years, or the highest 3 years, or the highest 1 year. Our salaries would be \$42,500 under all circumstances.

Mr. Chairman, I urge the defeat of the amendment.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Pennsylvania (Mr. CORBETT).

The question was taken; and the Chairman announced that the noes appeared to have it.

Mr. CORBETT. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. CORBETT and Mr. DANIELS of New Jersey.

The Committee divided, and the tellers reported that there were—ayes 119, noes 138.

So the amendment was rejected.

Mr. DERWINSKI. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, may I have everyone's attention for 30 seconds?

Mr. ALBERT. Mr. Chairman, will the gentleman from Illinois yield to the gentleman from New Jersey (Mr. DANIELS), who wishes to make a request to see if debate may be closed in 5 minutes?

Mr. DERWINSKI. Yes, and hopefully in 30 seconds. I yield to the gentleman from New Jersey (Mr. DANIELS).

Mr. DANIELS of New Jersey. Mr. Chairman, may I ask—are there any amendments pending at the Clerk's desk?

The CHAIRMAN. There are no amendments pending at the Clerk's desk.

Mr. DANIELS of New Jersey. Mr. Chairman, I ask unanimous consent that upon conclusion of the remarks to be made by the gentleman from Illinois (Mr. DERWINSKI) that is, in 5 minutes, debate on the bill and all amendments thereto close.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. DERWINSKI. Mr. Chairman, in order to provide the utmost possible cooperation with concern of the majority and the gentleman from New Jersey who wish to expedite action on the bill, I may take just a minute to inform the Members what will be involved in the motion to recommit.

May I emphasize that the motion to recommit is properly designed to help

the bill and to speed this legislation through the other body.

The motion to recommit will do just two things. It will strike the provision as to the high-3-years average on retirement as it would apply to the Members of Congress and anyone covered by the civil service retirement fund. In other words, it would leave the law as it is at present, with the 5-year-high provision.

The other change it would make is that it would strike line 20, page 8, the liberalization provision for congressional employees.

It does not touch unused sick leave, it does not touch the retirees' annuity. It does not touch title II as it applies to widows and widowers. It merely eliminates the 3-high-year provision and removes from the bill the additional liberalization that was to be afforded only to congressional employees.

Mr. Chairman, in view of the spirit of anxiety in the House and the desire of the House to move expeditiously but effectively, these are the provisions of the motion to recommit.

Mr. HAYS. Mr. Chairman, will the gentleman yield?

Mr. DERWINSKI. I yield to the gentleman.

Mr. HAYS. Your motion to recommit strikes out the provision for the high 3 years for all Government employees; is that right?

Mr. DERWINSKI. Right, and for all Members of Congress.

Mr. HAYS. Well, I know that—but I want the Members to know what they are doing to Government employees if they vote for the motion to recommit.

Mr. DERWINSKI. The purpose, of course, is not to have premature retirement of the affected Government employees that we have covered by the civil service retirement fund.

In view of that fact and obviously from what I see by the expression of the Members, I got my message across and they may be rallying to the support of the motion to recommit.

Mr. Chairman, I yield back the the balance of my time.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. McFALL, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H.R. 9825) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes, pursuant to House Resolution 380, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed

and read a third time, and was read the third time.

MOTION TO RECOMMIT OFFERED BY
MR. DERWINSKI

Mr. DERWINSKI. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. DERWINSKI. I am, in its present form.

The SPEAKER. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. DERWINSKI moves to recommit the bill, H.R. 9825, to the Committee on Post Office and Civil Service with instructions to report the same back forthwith with the following amendments:

On page 3, line 10, strike out "Congressional employee and a".

On page 4, between lines 7 and 8, strike out the schedule relating to Member or employee for Congressional employee service.

On page 8, beginning with line 20, strike out all of line 20 and all that follows down through the end of line 3 on page 9.

On page 9, line 4, strike out "(3)".

On page 8, strike out all of section 201 beginning with line 3 down through line 6 and renumber the succeeding sections and references thereto accordingly.

The SPEAKER. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER. The question is on the motion to recommit.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 129, nays 281, answered "present" 1, not voting 21, as follows:

[Roll No. 119]

YEAS—129

Abbott	Erlenborn	Poage
Anderson, Ill.	Eshleman	Poff
Andrews, Ala.	Findley	Price, Tex.
Arends	Fisher	Quillen
Ashbrook	Ford, Gerald R.	Railsback
Baring	Foreman	Reid, Ill.
Beall, Md.	Fountain	Rhodes
Belcher	Gaydos	Robison
Betts	Goldwater	Roth
Brook	Goodling	Roudebush
Broomfield	Gross	Ruth
Brotzman	Grover	Satterfield
Brown, Ohio	Hall	Saylor
Burleson, Tex.	Hansen, Idaho	Schadeberg
Byrnes, Wis.	Harvey	Scherle
Camp	Hastings	Schneebeli
Carter	Hull	Sebelius
Cederberg	Hunt	Shriver
Chamberlain	Hutchinson	Skubitz
Clancy	Ichord	Smith, Calif.
Clausen,	Jarman	Snyder
Don H.	Johnson, Pa.	Springer
Clawson, Del.	Jonas	Stafford
Cleveland	Keith	Steiger, Ariz.
Collier	Kuykendall	Steiger, Wis.
Collins	Langen	Stuckey
Colmer	Latta	Taft
Conte	Lloyd	Talcott
Cowger	Lujan	Taylor
Cramer	McClure	Thomson, Wis.
Daniel, Va.	McCulloch	Vander Jagt
Davis, Ga.	Mahon	Wampler
Davis, Wis.	Marsh	Watkins
Dellenback	Martin	Whalley
Denney	Mayne	Whitten
Dennis	Michel	Wiggins
Derwinski	Miller, Ohio	Winn
Devine	Mize	Wold
Dickinson	Mizell	Wyder
Dorn	Montgomery	Wylie
Dowdy	Mosher	Wyman
Duncan	Nelsen	Zion
Dwyer	O'Neal, Ga.	
Edwards, Ala.	Pickle	

NAYS—281

Abernethy	Garmatz	Nix
Adair	Gettys	Obey
Adams	Glamo	O'Hara
Addabbo	Gibbons	Olsen
Albert	Gilbert	O'Neill, Mass.
Alexander	Gonzalez	Ottinger
Anderson,	Gray	Passman
Calif.	Green, Oreg.	Patman
Anderson,	Green, Pa.	Patten
Tenn.	Griffin	Pelly
Andrews,	Griffiths	Pepper
N. Dak.	Gubser	Perkins
Annunzio	Gude	Pettis
Aspinall	Hagan	Phillips
Ayres	Haley	Pike
Barrett	Hamilton	Pirnie
Bell, Calif.	Hammer-	Podell
Bennett	schmidt	Pollock
Berry	Hanley	Preyer, N.C.
Bevill	Hanna	Price, Ill.
Blester	Hansen, Wash.	Pryor, Ark.
Bingham	Harsha	Pucinski
Blanton	Hathaway	Purcell
Blatnik	Hays	Qule
Boggs	Hébert	Randall
Boland	Hechler, W. Va.	Rarick
Bolling	Heckler, Mass.	Rees
Bow	Helstoski	Reid, N.Y.
Brademas	Hicks	Reifel
Brasco	Hogan	Reuss
Bray	Hollfield	Rlegle
Brinkley	Horton	Rivers
Brooks	Hosmer	Roberts
Brown, Calif.	Hungate	Rodino
Broyhill, N.C.	Jacobs	Rogers, Colo.
Buchanan	Joelson	Rogers, Fla.
Burke, Fla.	Johnson, Calif.	Ronan
Burke, Mass.	Jones, Ala.	Rooney, N.Y.
Burlison, Mo.	Jones, N.C.	Rooney, Pa.
Burton, Calif.	Jones, Tenn.	Rosenthal
Bush	Karth	Roybal
Button	Kastenmeier	Ruppe
Byrne, Pa.	Kazen	Ryan
Cabell	Kee	St Germain
Caffery	King	St. Onge
Cahill	Kleppe	Sandman
Casey	Kluczynski	Scheuer
Celler	Koch	Schwengel
Chappell	Kyl	Scott
Chisholm	Kyros	Shibley
Clark	Landgrebe	Sikes
Clay	Leggett	Sisk
Cohelan	Lennon	Slack
Conable	Long, La.	Smith, Iowa
Conyers	Long, Md.	Smith, N.Y.
Corbett	Lowenstein	Staggers
Corman	McCarthy	Steed
Coughlin	McClary	Stephens
Cunningham	McCloskey	Stokes
Daddario	McDade	Stratton
Daniels, N.J.	McDonald,	Stubblefield
Dawson	Mich.	Sullivan
de la Garza	McEwen	Symington
Delaney	McFall	Teague, Calif.
Dent	McKneally	Teague, Tex.
Diggs	McMillan	Thompson, Ga.
Dingell	Macdonald,	Thompson, N.J.
Donohue	Mass.	Tiernan
Downing	MacGregor	Tunney
Dulski	Madden	Udall
Eckhardt	Mailliard	Utt
Edmondson	Mann	Van Deerlin
Edwards, Calif.	Mathias	Vanik
Edwards, La.	Matsunaga	Vigorito
Eilberg	May	Waggonner
Esch	Meeds	Waldie
Evans, Colo.	Melcher	Watson
Evins, Tenn.	Meskill	Watts
Fallon	Mikva	Weicker
Farbstein	Miller, Calif.	Whalen
Fascell	Mills	White
Feighan	Minish	Whitehurst
Flood	Mink	Widnall
Flowers	Minshall	Williams
Flynt	Mollohan	Wilson, Bob
Foley	Monagan	Wilson,
Ford,	Moorhead	Charles H.
William D.	Morgan	Wolff
Fraser	Morse	Wright
Frelinghuysen	Morton	Wyatt
Frey	Moss	Yates
Friedel	Murphy, Ill.	Yatron
Fulton, Pa.	Murphy, N.Y.	Young
Fulton, Tenn.	Myers	Zablocki
Fuqua	Natcher	Zwach
Galifianakis	Nedzi	
Gallagher	Nichols	

ANSWERED "PRESENT"—1

Brown, Mich.

NOT VOTING—21

Ashley	Fish	Lipscomb
Blaggi	Halpern	Lukens
Blackburn	Hawkins	O'Konski
Broyhill, Va.	Henderson	Powell
Burton, Utah	Howard	Rostenkowski
Carey	Kirwan	Stanton
Culver	Landrum	Ullman

So the motion to recommit was rejected.

The Clerk announced the following pairs:

Mr. Henderson with Mr. Broyhill of Virginia.

Mr. Kirwan with Mr. Blackburn.

Mr. Rostenkowski with Mr. Lipscomb.

Mr. Carey with Mr. Fish.

Mr. Blaggi with Mr. Halpern.

Mr. Landrum with Mr. Burton of Utah.

Mr. Howard with Mr. Lukens.

Mr. Hawkins with Mr. O'Konski.

Mr. Culver with Mr. Stanton.

Mr. Ashley with Mr. Ullman.

Mr. TEAGUE of California changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the passage of the bill.

Mr. GERALD R. FORD. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 358, nays 48, not voting 26, as follows:

[Roll No. 120]

YEAS—358

Abernethy	Celler	Fountain
Adair	Chamberlain	Fraser
Adams	Chappell	Frelinghuysen
Addabbo	Clancy	Frey
Albert	Clark	Friedel
Alexander	Clausen,	Fulton, Pa.
Anderson,	Don H.	Fulton, Tenn.
Calif.	Clawson, Del	Fuqua
Anderson,	Clay	Gallifanakis
Tenn.	Cohelan	Gallagher
Andrews,	Collins	Garmatz
N. Dak.	Conable	Gaydos
Annunzio	Conte	Gettys
Arends	Conyers	Giaimo
Aspinall	Corbett	Gibbons
Ayres	Corman	Gilbert
Baring	Coughlin	Goldwater
Barrett	Cramer	Gonzalez
Beall, Md.	Cunningham	Gray
Belcher	Daddario	Green, Oreg.
Bell, Calif.	Daniels, N.J.	Green, Pa.
Bennett	Davis, Ga.	Griffin
Berry	Davis, Wis.	Griffiths
Betts	Dawson	Grover
Bevill	Delaney	Gubser
Blester	Dellenback	Gude
Bingham	Denney	Hagan
Blanton	Dent	Haley
Blatnik	Diggs	Hamilton
Boggs	Dingell	Hammer-
Boland	Donohue	schmidt
Bolling	Dorn	Hanley
Bow	Dowdy	Hanna
Brademas	Downing	Hansen, Idaho
Brasco	Dulski	Hansen, Wash.
Brinkley	Dwyer	Harsha
Brock	Eckhardt	Harvey
Brooks	Edmondson	Hastings
Broomfield	Edwards, Ala.	Hathaway
Brotzman	Edwards, Calif.	Hays
Brown, Mich.	Edwards, La.	Hébert
Brown, Ohio	Ellberg	Hechler, W. Va.
Broyhill, N.C.	Erlenborn	Heckler, Mass.
Buchanan	Esch	Helstoski
Burke, Fla.	Evans, Colo.	Hicks
Burleson, Tex.	Evins, Tenn.	Hogan
Burlison, Mo.	Fallon	Hollifield
Burton, Calif.	Farbsteln	Horton
Bush	Fasell	Hosmer
Button	Feighan	Hungate
Byrne, Pa.	Findley	Hunt
Byrnes, Wis.	Fisher	Jacobs
Cabell	Flood	Jarman
Caffery	Flowers	Joelson
Cahill	Flynt	Johnson, Calif.
Camp	Ford, Gerald R.	Johnson, Pa.
Carter	Ford,	Jones, Ala.
Casey	William D.	Jones, N.C.
Cederberg	Foreman	Jones, Tenn.

Karth	Nelsen
Kastenmeier	Nichols
Kazen	Nix
Kee	Obey
Keith	O'Hara
Kling	Olsen
Kleppe	O'Neal, Ga.
Kluczynski	O'Neill, Mass.
Koch	Ottinger
Kuykendall	Passman
Kyl	Patman
Kyros	Patten
Landgrebe	Pelly
Langen	Pepper
Leggett	Perkins
Lennon	Pettis
Long, La.	Philbin
Long, Md.	Pickle
Lowenstein	Pike
Lujan	Podell
McCarthy	Pollock
McClary	Preyer, N.C.
McCloskey	Price, Ill.
McClure	Pryor, Ark.
McCulloch	Pucinski
McDade	Purcell
McDonald,	Quile
Mich.	Railsback
McEwen	Randall
McFall	Rarick
McKneally	Rees
McMillan	Reid, Ill.
Macdonald,	Reid, N.Y.
Mass.	Reifel
MacGregor	Reuss
Madden	Rhodes
Mailliard	Riegle
Mann	Rivers
Mathias	Roberts
Matsunaga	Robison
Meeds	Rodino
Melcher	Rogers, Colo.
Meskill	Rogers, Fla.
Mikva	Ronan
Miller, Calif.	Rooney, N.Y.
Mills	Rooney, Pa.
Minish	Rosenthal
Mink	Roudebush
Minshall	Roybal
Mize	Ruppe
Mizell	Ruth
Mollohan	Ryan
Monagan	St Germain
Moorhead	St. Onge
Morgan	Sandman
Morse	Scheuer
Morton	Schwengel
Mosher	Scott
Moss	Sebelius
Murphy, Ill.	Shipley
Murphy, N.Y.	Shriver
Myers	Sikes
Natcher	Sisk
Nedzi	Skubitz

NAYS—48

Abbitt	Goodling	Montgomery
Anderson, Ill.	Gross	Pirnie
Andrews, Ala.	Hall	Poage
Ashbrook	Hull	Poff
Bray	Hutchinson	Price, Tex.
Cleveland	Ichord	Quillen
Collier	Jonas	Roth
Colmer	Latta	Satterfield
Daniel, Va.	Lloyd	Saylor
Dennis	Mahon	Schadeberg
Derwinski	Marsh	Scherle
Devine	Martin	Schneebell
Dickinson	May	Springer
Duncan	Mayne	Steiger, Ariz.
Eshleman	Michel	Whitten
Foley	Miller, Ohio	Wylie

NOT VOTING—26

Ashley	Cowger	Landrum
Blaggi	Culver	Lipscomb
Blackburn	de la Garza	Lukens
Brown, Calif.	Fish	O'Konski
Broyhill, Va.	Halpern	Powell
Burke, Mass.	Hawkins	Rostenkowski
Burton, Utah	Henderson	Stanton
Carey	Howard	Ullman
Chisholm	Kirwan	

So the bill was passed.

The Clerk announced the following pairs:

Mr. Henderson with Mr. Broyhill of Virginia.

Mr. Kirwan with Mr. Blackburn.

Mr. Rostenkowski with Mr. Lipscomb.

Mr. Carey with Mr. Fish.

Mr. Blaggi with Mr. Halpern.

Mr. Howard with Mr. Cowger.
Mr. Hawkins with Mr. O'Konski.
Mr. Culver with Mr. Burton of Utah.
Mr. Ashley with Mr. Lukens.
Mr. Burke of Massachusetts with Mr. Stanton.
Mr. Ullman with Mr. Powell.
Mr. de la Garza with Mr. Landrum.
Mr. Brown of California with Mrs. Chisholm.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. DANIELS of New Jersey. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER pro tempore (Mr. EDMONDSON). Is there objection to the request of the gentleman from New Jersey?

There was no objection.

PERMISSION FOR SELECT COMMITTEE ON SMALL BUSINESS TO SIT DURING GENERAL DEBATE THURSDAY AND FRIDAY

Mr. EVINS of Tennessee. Mr. Speaker, I ask unanimous consent that the House Select Committee on Small Business be permitted to sit during general debate on Thursday and Friday of this week, July 24 and 25.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

THE 91ST CONGRESS—A REPORT

(Mr. HANNA asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. HANNA. Mr. Speaker, it is already presaged by some statements and easily predictable in more to follow that the press will be characterizing this session as a "do little Congress." In anticipation of such unjustified categorizing and in an attempt to place things in their proper perspective may I suggest a closer view of what this Congress really is all about.

First and foremost it must be realized and appreciated that Congress does not sit to simply arithmetically score up a continual enactment of legislation. Rarely has there been such a disgoring of legislative bills as was experienced in the first 2 years of the Johnson administration. It is discernable by even the most casual observer that Mr. Nixon has assumed the stance of caution and deliberation for his administration's first 2 years. Following as he does the exuberant Johnson years of vigorous legislation, his approach has much to commend it. Now we need to measure the performance of these programs; perfect their application, and to make effective the implementation of laws already in existence. Congress plays a dynamic and effective role in this approach as much as in the more dramatic business of passing new laws.

H. R. 9825

JULY 24, 1969

Read twice and referred to the Committee on Post Office and Civil Service

AN ACT

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 TITLE I—CIVIL SERVICE RETIREMENT

4 FINANCING

5 SEC. 101. Section 8331 of title 5, United States Code,
6 is amended—

7 (1) by striking out “and” at the end of paragraph
8 (15) ;

9 (2) by striking out the period at the end of para-

1 graph (16) and inserting a semicolon in lieu thereof;
2 and

3 (3) by adding immediately below paragraph (16)
4 the following new paragraphs:

5 “(17) ‘normal cost’ means the entry-age normal
6 cost computed by the Civil Service Commission in ac-
7 cordance with generally accepted actuarial practice and
8 expressed as a level percentage of aggregate basic pay;

9 “(18) ‘Fund balance’ means the sum of—

10 “(A) the investments of the Fund calculated
11 at par value; and

12 “(B) the cash balance of the Fund on the
13 books of the Treasury; and

14 “(19) ‘unfunded liability’ means the estimated ex-
15 cess of the present value of all benefits payable from
16 the Fund to employees and Members, and former em-
17 ployees and Members, subject to this subchapter, and to
18 their survivors, over the sum of—

19 “(A) the present value of deductions to be
20 withheld from the future basic pay of employees
21 and Members currently subject to this subchapter
22 and of future agency contributions to be made in
23 their behalf; plus

24 “(B) the present value of Government pay-

1 ments to the Fund under section 8348 (f) of this
2 title; plus

3 “(C) the Fund balance as of the date the un-
4 funded liability is determined.”.

5 SEC. 102. (a) Section 8334 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as follows:

8 “(a) (1) The employing agency shall deduct and with-
9 hold 7 percent of the basic pay of an employee and $7\frac{1}{2}$ per-
10 cent of the basic pay of a Congressional employee and a
11 Member. An equal amount shall be contributed from the
12 appropriation or fund used to pay the employee or, in the
13 case of an elected official, from an appropriation or fund
14 available for payment of other salaries of the same office or
15 establishment. When an employee in the legislative branch is
16 paid by the Clerk of the House of Representatives, the Clerk
17 may pay from the contingent fund of the House the contribu-
18 tion that otherwise would be contributed from the appropria-
19 tion or fund used to pay the employee.

20 “(2) The amounts so deducted and withheld, together
21 with the amounts so contributed, shall be deposited in the
22 Treasury of the United States to the credit of the Fund under
23 such procedures as the Comptroller General of the United
24 States may prescribe. Deposits made by an employee or

1 Member also shall be credited to the Fund.”; and

2 (2) by amending subsection (c) to read as follows:

3 “(c) Each employee or Member credited with civilian
4 service after July 31, 1920, for which retirement deduc-
5 tions or deposits have not been made, may deposit with
6 interest an amount equal to the following percentages of
7 his basic pay received for that service:

	“Percentage of basic pay	Service period
Employee---	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7-----	After December 31, 1969.

Member or

employee for
Congressional
employee

service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7½-----	After December 31, 1969.

Member for

Member

service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to August 1, 1946.
	6-----	August 2, 1946, to October 31, 1956.
	7½-----	After October 31, 1956.

8 Notwithstanding the foregoing provisions of this subsec-
9 tion, the deposit with respect to a period of service re-
10 ferred to in section 8332 (b) (6) of this title performed
11 before January 1, 1969, shall be an amount equal to 55
12 percent of a deposit computed in accordance with such
13 provisions.”.

1 (b) The amendment made by subsection (a) (1) of
2 this section shall become effective at the beginning of the
3 first applicable pay period beginning after December 31,
4 1969.

5 SEC. 103. (a) Section 8348 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as
8 follows:

9 “(a) There is a Civil Service Retirement and Disability
10 Fund. The Fund—

11 “(1) is appropriated for the payment of—

12 “(A) benefits as provided by this subchapter;

13 and

14 “(B) administrative expenses incurred by the
15 Civil Service Commission in placing in effect each
16 annuity adjustment granted under section 8340 of
17 this title; and

18 “(2) is made available, subject to such annual limi-
19 tation as the Congress may prescribe, for any expenses
20 incurred by the Commission in connection with the ad-
21 ministration of this chapter and other retirement and
22 annuity statutes.”; and

23 (2) by striking out subsections (f) and (g) and
24 inserting in lieu thereof:

1 “(f) Any statute which authorizes—

2 “(1) new or liberalized benefits payable from the
3 Fund, including annuity increases other than under sec-
4 tion 8340 of this title;

5 “(2) extension of the coverage of this subchapter
6 to new groups of employees; or

7 “(3) increases in pay on which benefits are com-
8 puted;

9 is deemed to authorize appropriations to the Fund to fi-
10 nance the unfunded liability created by that statute, in
11 equal annual installments over the 30-year period beginning
12 at the end of the fiscal year in which the statute is enacted,
13 with interest computed at the rate used in the then most re-
14 cent valuation of the Civil Service Retirement System and
15 with the first payment thereof due as of the end of the
16 fiscal year in which the statute is enacted.

17 “(g) At the end of each fiscal year, the Commission
18 shall notify the Secretary of the Treasury of the amount
19 equivalent to interest on the unfunded liability computed for
20 that year at the interest rate used in the then most recent
21 valuation of the System. Before closing the accounts for each
22 fiscal year, the Secretary shall credit to the Fund, as a Gov-
23 ernment contribution, out of any money in the Treasury of
24 the United States not otherwise appropriated, the following
25 percentages of the amounts equivalent to interest on the

1 unfunded liability: 10 percent for 1971; 20 percent for
2 1972; 30 percent for 1973; 40 percent for 1974; 50 percent
3 for 1975; 60 percent for 1976; 70 percent for 1977; 80
4 percent for 1978; 90 percent for 1979; and 100 percent for
5 1980 and for each fiscal year thereafter. The Commission
6 shall report to the President and to the Congress the sums
7 credited to the Fund under this subsection.”.

8 (b) (1) The provisions of subsection (g) of section
9 8348 of title 5, United States Code, as contained in the
10 amendment made by subsection (a) (2) of this section, shall
11 become effective at the beginning of the fiscal year which
12 ends on June 30, 1971.

13 (2) Paragraph (1) of this subsection shall not be held
14 or considered to continue in effect after the enactment of
15 this Act the provisions of section 8348 (g) of title 5, United
16 States Code, as in effect immediately prior to such enactment.

17 SEC. 104. Section 1308 (c) of title 5, United States
18 Code, is amended by striking out “on a normal cost plus
19 interest basis”.

20 SEC. 105. The proviso under the heading “CIVIL
21 SERVICE COMMISSION” and under the subheading
22 “PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABIL-
23 ITY FUND” in title I of the Independent Offices Appropria-
24 tion Act, 1962 (75 Stat. 345; Public Law 87-141), is
25 repealed.

TITLE II—CIVIL SERVICE RETIREMENT

BENEFITS

SEC. 201. Paragraph (4) (A) of section 8331 of title 5, United States Code, is amended by striking out “5 consecutive years” and inserting in lieu thereof “3 consecutive years”.

SEC. 202. Subsection (g) of section 8334 of title 5, United States Code, is amended—

(1) by striking out the word “or” at the end of paragraph (3) ;

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and the word “or”; and

(3) by adding the following new paragraph immediately below paragraph (4) :

“(5) days of unused sick leave credited under section 8339 (m) of this title.”.

SEC. 203. Section 8339 of title 5, United States Code, is amended—

(1) by striking out of subsection (b) the words “so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years” and inserting in lieu thereof “his service as a Congressional employee, his military service not exceeding 5 years,”;

1 (2) by amending subsection (c) (2) to read as
2 follows:

3 “(2) his congressional employee service;”; and

4 (3) by adding at the end thereof the following new
5 subsection:

6 “(m) In computing any annuity under subsections
7 (a)–(d) of this section, the total service of an employee
8 who retires on an immediate annuity or dies leaving a sur-
9 vivor or survivors entitled to annuity includes, without regard
10 to the limitations imposed by subsection (e) of this section,
11 the days of unused sick leave to his credit, except that these
12 days will not be counted in determining average pay or
13 annuity eligibility under this subchapter.”.

14 SEC. 204. Subsection (b) of section 8340 of title 5,
15 United States Code, is amended by inserting “1 percent
16 plus” immediately after the word “by”.

17 SEC. 205. The provisions of subsections (b) (1), (d)
18 (3), and (g) of section 8341 of title 5, United States Code,
19 also shall apply in the case of any widow or widower—
20 (1) of an employee who died, retired, or was
21 otherwise separated before July 18, 1966;

22 (2) who shall have remarried on or after such
23 date; and

24 (3) who, immediately before such remarriage, was

1 receiving annuity from the Civil Service Retirement
2 and Disability Fund;
3 except that no annuity shall be paid by reason of this
4 section for any period prior to the enactment of this sec-
5 tion. No annuity shall be terminated solely by reason of
6 the enactment of this section. Notwithstanding the prohibition
7 contained in the first sentence of this section on the payment
8 of annuity for any period prior to the enactment of this sec-
9 tion, in any case in which the Civil Service Commission
10 determines that—

11 (1) the remarriage of any widow or widower de-
12 scribed in such sentence was entered into by the widow
13 or widower in good faith and in reliance on erroneous
14 information provided in writing by Government au-
15 thority prior to that remarriage that the then existing
16 survivor annuity of the widow or widower would not be
17 terminated because of the remarriage; and

18 (2) such annuity was terminated by law because of
19 that remarriage;

20 then payment of annuity may be made by reason of this sec-
21 tion in such case, beginning as of the effective date of the
22 termination because of the remarriage.

23 SEC. 206. (a) The amendments made by sections 201,
24 202, and 203 of this Act shall not apply in the cases of
25 persons retired or otherwise separated prior to the date of

1 enactment of this Act, and the rights of such persons and
2 their survivors shall continue in the same manner and to
3 the same extent as if such sections had not been enacted.

4 (b) The amendments made by section 204 of this Act
5 to section 8340 of title 5, United States Code, shall apply
6 only to determinations of amounts of annuity increases which
7 are made under such section 8340 after the date of enact-
8 ment of this Act.

Passed the House of Representatives July 23, 1969.

Attest:

W. PAT JENNINGS,

Clerk.

91ST CONGRESS
1ST SESSION

H. R. 9825

AN ACT

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

JULY 24, 1969

Read twice and referred to the Committee on Post
Office and Civil Service

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued August 1, 1969
For actions of July 31, 1969
91st 1st No. 129

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HIGHLIGHTS: Senate passed bill to extend surcharge tax through Dec. 31. Senate committee voted to report civil service retirement financing and benefits bill. Sen. Muskie introduced and discussed bill to provide intergovernmental coordination of power development and environmental protection.

SENATE

1. TAXATION. Passed, 70-30, with amendment H. R. 9951, providing for collection of the Federal unemployment tax in quarterly installments during each taxable year (pp. S8849, S8855-87).
Adopted, 51-48, the Long, La., amendment to continue the 10 percent surtax through Dec. 31, 1969 (p. S8857).
Rejected, 41-59, the Williams, Del., amendment to extend income surtax for the first 6 months of 1970 at the rate of 5 percent (p. S8872).
2. PERSONNEL; RETIREMENT. The Post Office and Civil Service Committee voted to report (but did not actually report) S. 2326, relating to retirement financing and benefits for Government employees and Members of Congress. The "Daily Digest" states that among amendments adopted is one which would exempt from income tax the first \$3,000 of retirement annuity. p. D703
3. FARM LABOR. Sen. Javits inserted recommendations of the Committee on Labor Law of the Federal Bar Council concerning farm labor legislation. pp. S8892-4
4. ST. LAWRENCE SEAWAY. Sen. Hart inserted an article, "The 10-Year-Old Seaway Needs Expansion.--A Billion-Dollar Act of Faith." pp. S8900-8901
5. ANTITRUST. Both Houses received from Justice a report on certain exemptions from the antitrust laws to assist in safeguarding the balance-of-payments position of the U. S. p. S8902, H6691
Both Houses received from Treasury a proposed bill to extend the authority for exemptions from the antitrust laws to assist in safeguarding the balance-of-payments position of the United States; to the Judiciary Committees. pp. S8902, H6691
6. FOREIGN TRADE. Sen. Percy inserted Sen. Mathias' speech in which he urged the adoption of a system of generalized tariff preferences for the underdeveloped countries. pp. S8923-5
7. PEST CONTROL. Sen. Nelson inserted an article reporting on the progress which has been made in developing effective biological controls for pests. pp. S8928-9
8. RECREATION. Sen. Yarborough inserted a resolution on the Northpark Conservation Federation of Dallas, Tex., calling for a Big Thicket National Park. p. S8933
9. WHEAT. Sen. McGovern criticized the administration's wheat sales program and inserted an article, "Common Market Angered--Grain Prices Lowered." pp. S8933-4

line Felter, Medical Library Association; William S. Dix, American Library Association; Dr. John A. D. Cooper, Association of American Medical Colleges; and Dr. Stephen McCarthy, Association of Research Libraries.

Hearings were adjourned subject to call.

CIVIL SERVICE RETIREMENT

Committee on Post Office and Civil Service: Committee, in executive session, ordered favorably reported with amendments, S. 2326, relating to retirement financing and benefits for Government employees and Members of Congress. Among amendments adopted are those which (1) would require 8-percent contribution to retirement fund by Members of Congress instead of 7½ percent as provided in bill, and (2) exempt from income tax the first \$3,000 of retirement annuity.

NUTRITION AND HUMAN NEEDS

Select Committee on Nutrition and Human Needs: Continuing its series of hearings on the role of private industry in meeting the nutritional needs of the American people, committee heard from the following witnesses:

Panel on the Federal role in promoting nutrition through foods from the sea—Dr. Edward J. Wenk, National Council on Marine Resources; George Parman, Director, Food From the Seas Program, Agency for In-

ternational Development; Dr. Harold Crowthers, Director, Bureau of Commercial Fisheries, Department of the Interior; and Robert Abel, Sea-Grant College Program, National Science Foundation; and

Panel on the role of private industry in promoting nutrition through foods from the sea—Walter C. Beckman, Alpine Marine Protein Industries; Dr. Thomas Meade, Department of Fisheries and Marine Technology, University of Rhode Island; Dr. Fred Stare, Department of Nutrition, Harvard University; Dr. Rio Duggan, Food and Drug Administration, Department of Health, Education, and Welfare; and Lee Weddig, National Fisheries Institute.

Hearings continue on Tuesday, August 5.

HOUSING FOR THE ELDERLY

Special Committee on Aging: Subcommittee on Housing for the Elderly held hearings with regard to homeownership aspects of the economics of aging, receiving testimony from Wilbur J. Cohen, former Secretary of HEW, and presently dean of the School of Education, University of Michigan; Mrs. Marie McGuire, Special Assistant for Problems of the Elderly, Department of Housing and Urban Development; Richard Coffee, New Jersey State senator; and John Shannon, Assistant Director, Advisory Commission on Intergovernmental Relations.

Hearings continue tomorrow.

House of Representatives

Chamber Action

Bills Introduced: 42 public bills, H.R. 13220-13261; seven private bills, H.R. 13262-13268; and 12 resolutions, H.J. Res. 853-858, H. Con. Res. 311-313, and H. Res. 506-508, were introduced. Pages H 6691-H 6693

Bills Reported: Reports were filed as follows:

H.R. 3629, 3955, and 9001, private bills (H. Rept. 91-408 to 91-410); and

S. 912, to provide for the establishment of the Florissant Fossil Beds National Monument in the State of Colorado, amended (H. Rept. 91-411). Page H 6691

Federal Aviation Act: House insists on its amendment to S. 1373, to amend the Federal Aviation Act of 1953, and agrees to a conference asked by the Senate. Appointed as conferees Representatives Staggers, Friedel, Dingell, Pickle, Springer, Devine, and Cunningham. Page H 6597

Late Report: Committee on Ways and Means received permission to file a report on the Tax Reform Act of 1969 by midnight Friday, August 1, or Monday, August 4. Page H 6598

Labor-HEW Appropriations: By a record vote of 393 yeas to 16 nays, the House passed H.R. 13111, making appropriations for the Departments of Labor and Health, Education, and Welfare, and related agencies.

A motion to recommit the bill to the Committee on Appropriations with instructions to limit total expenditures of \$16,364 million was rejected by a voice vote.

By a record vote of 293 yeas to 120 nays, agreed to the Joelson "package" amendment (agreed to earlier in the Committee of the Whole).

By a record vote of 316 yeas to 95 nays, agreed to the Sikes-Smith of Iowa amendment. Sikes amendment prohibits funds to any institution of higher education not complying with section 504 of the Higher Education Act of 1968 (agreed to earlier in the Committee of the Whole by a division vote of 162 yeas to 61 nays). Smith of Iowa amendment to the Sikes amendment prohibits funds to any individual at an institution of higher education involved in campus disruption (agreed to earlier in the Committee of the Whole by a division vote of 129 yeas to 58 nays).

Agreed to a technical amendment.

Rejected the following amendments:

An amendment that sought to strike out section 208 (limits allotments to States to \$500 million, by a teller vote of 78 yeas to 110 nays).

A point of order against section 407 of the bill was sustained.

A point of order against the Smith of Iowa amendment to section 407 (similar to the language in the bill) was sustained.

A point of order against the Sikes-Smith amendment was overruled.

A point of order against the Dellenback substitute to the Sikes amendment was sustained.

An amendment designed to strike sections 408 and 409 from the bill (regarding use of funds for forced busing of students, or the forced attendance of any elementary or secondary student at any school against the choice of the student's parents, or the forced attendance of students at any particular school as a condition precedent to obtaining Federal funds otherwise available to any State, school district, or school) was rejected by a teller vote of 141 yeas to 158 nays.

A point of order against the Conte amendment to sections 408 and 409 was sustained.

An amendment that would remove the ratification of freedom of choice of school system from sections 408 and 409 was rejected by a teller vote of 153 yeas to 157 nays.

A point of order against section 409 was overruled.

Pages H 6598—H 6658

Referrals: Two Senate-passed measures were referred to the appropriate committees.

Page H6691

Quorum Calls—Record Votes: One quorum call and three record votes developed during the proceedings of the House today and appear on pages H6598, H6656, H6656—H6657, and H6657—H6658.

Program for Friday: Met at noon and adjourned at 9:02 p.m. until noon on Friday, August 1. There is no legislative business scheduled.

Committee Meetings

GENERAL FARM AND FOOD STAMP PROGRAMS

Committee on Agriculture: Continued hearings on legislation pending before the committee which would extend or amend existing laws on the general farm and food stamp programs. Testimony was heard from John W. Scott, Master, and other representatives of the National Grange.

Hearings continue Tuesday, August 5.

MILITARY PROCUREMENT AUTHORIZATION

Committee on Armed Services: Continued executive hearings on military posture and fiscal year 1970 military procurement authorization. Testimony was heard from Department of the Army witnesses.

Hearings continue tomorrow.

POPULATION TRENDS IN THE UNITED STATES

Committee on Banking and Currency: Ad Hoc Subcommittee on Urban Growth resumed hearings on population trends in the United States. Testimony was heard from Mayor Walter J. Kellicher, Malden, Mass., representing the New England Regional Commission.

NATIONAL CRIME "OVERVIEW"

Select Committee on Crime: Continued hearings on national crime "overview." Testimony was heard from Attorney General John N. Mitchell; Charles Rogovin, Administrator, Department of Justice Law Enforcement Assistance Administration, accompanied by Associate Administrator Richard W. Velde; and Prof. James Vorenberg, Harvard Law School.

Hearings continue Monday, August 4.

COAL MINE HEALTH AND SAFETY

Committee on Education and Labor: General Subcommittee on Labor met in executive session for continued consideration of coal mine health and safety legislation. No announcements were made.

Committee to continue Tuesday, August 5.

FOREIGN AID

Committee on Foreign Affairs: Continued hearings on proposed foreign aid legislation. Testimony was heard from Representative Moss; Roy L. Prosterman, associate professor of law, University of Washington Law School; Andrew J. Biemiller, director, Department of Legislation, AFL-CIO; and Gordon L. Ness, president and board chairman, Ness Industries, Palo Alto, Calif.

Hearings continue tomorrow.

AFRICAN PROGRAMS

Committee on Foreign Affairs: Subcommittee on Africa met in executive session with USIA officials John E. Reinhardt, Assistant Director, and Jack Hedges, Policy Officer, Africa Division, for further briefing on African programs in Tanzania, Ivory Coast, Malawi, Botswana, Lesotho, and Swaziland.

SPECIAL STUDIES

Committee on Government Operations: Subcommittee on Special Studies met in executive session on pending business. No announcements were made.

FREDERICK DOUGLASS HOME

Committee on Interior and Insular Affairs: Subcommittee on National Parks and Recreation began hearings on H.R. 5968 and related bills, to amend the act entitled "an act to provide for the establishment of the Frederick Douglass home as a part of the park system in the National Capital." Testimony was heard from Representative Chisholm; George B. Hartzog, Jr., Director, National Park Service; and Mrs. Mary Gregory, president,

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U. S. DEPARTMENT OF AGRICULTURE

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91st 1st No. 130

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HIGHLIGHTS: House Rules Committee cleared Senate amendment to extend surcharge tax through Dec. 31. Senate committee reported civil service retirement financing and benefits bill. House committee voted to report tax reform bill.

SENATE

1. PERSONNEL; RETIREMENT. The Post Office and Civil Service Committee reported without amendment S. 2754, the civil service retirement financing and benefits bill (S. Rept. 91-339). The Committee also reported without amendment H. R. 9825, a similar bill (no written report). ~~p. S8952~~
2. POLLUTION; ELECTRIFICATION. Sen. Muskie spoke in support of his bill, S. 2752, the proposed Intergovernmental Power Coordination and Environmental Protection Act, to reconcile the needs of environmental protection and the generation of adequate supplies of electricity. pp. S8956-57
3. TIMBER SUPPLY. Sen. Mansfield stated the aim of the proposed National Timber Supply Act is "to enhance the productivity of our national timberlands through the application of modern management techniques and thus guarantee the supplies of soft-wood lumber and plywood urgently required to meet the national housing goals," and inserted a supporting resolution adopted by the Western Governors' Conference. p. S8958
4. TAXATION. Sen. Kennedy spoke in support of the "compromise bill passed...by the Senate for extension of the income tax surcharge through the end of the present calendar year" (p. S8960), and Sen. Byrd explained why he voted against it (p. S8966)
5. OCEANOGRAPHY. Sen. Hatfield stated the Interior Dept. "conservatively estimates that the food potential of the sea can supply minimal animal protein needs for twice the present world population." He expressed the conviction that the United States needs to re-examine its posture on the use of ocean resources. pp. S8962-63
6. PESTICIDES. Sen. Nelson inserted several articles on the use on American farms of "a pesticide originally developed in World War II as a German nerve gas." pp. S8963-66
7. ADJOURNED until Mon., Aug. 4. p. S9008

HOUSE

8. TAXATION. The Rules Committee reported a resolution to concur with the Senate amendment to H. R. 9951 which would extend the surtax charge through Dec. 31, 1969. p. H6695
The Ways and Means Committee voted to report (but did not actually report) H. R. 13270, the proposed Tax Reform Act of 1969 (p. D710) and at the request of Rep. Mills the entire text of the bill was inserted in the Record (pp. H6695-736). Rep. Mills stated this bill contains "the 5-percent surtax for the last 6 months, the repeal of the 7-percent investment tax credit, the extension of the excise taxes."

CIVIL SERVICE RETIREMENT

AUGUST 1 (Legislative Day, July 30), 1969.—Ordered to be printed

Mr. McGEE, from the Committee on Post Office and Civil Service,
submitted the following

REPORT

[To accompany S. 2754]

The Committee on Post Office and Civil Service, to which was referred the bill (S. 2754) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

Summary of the Bill

Title I provides a permanent solution to the financial problems of the Civil Service Retirement and Disability Fund by authorizing annual payments directly from the Treasury to the Fund equal to the "lost interest" on the unfunded liability of the Fund created by the Government's failure to contribute sufficient funds, the gradual increase in liability caused by past increased retirement benefits, and salary increases; and to transfer from the Treasury annually funds sufficient to pay the cost of annuity payments based on military service.

Title I also provides that future benefit increases and the effect of future salary increases will be paid for by amortizing the cost of such benefits and increases in equal installments over a 30-year period. This will authorize appropriations by the Congress, not direct transfer of money.

Title I also increases both employee and agency contributions from 6½ percent of payroll to 7 percent of payroll, effective January 1, 1970. Contributions by employees of the Congress are increased to 7½ percent, and contributions by Members of Congress are increased to 8 percent.

Title II increases benefits under the Retirement Act:

1. Uses "high-3" instead of "high-5" for computing civil service annuities.
2. Permits adding sick leave accumulated at time of retirement to the computation of annuity.
3. Adds 1 percent to cost-of-living increases for annuitants.
4. Makes the remarriage provisions of the 1966 Act partly retroactive.
5. Improves survivor benefits for employees and retired disabled employees who die in service or after disability retirement.
6. Exempts up to \$3,000 of civil service retirement annuities from Federal income taxation.
7. Permits an employee of the Congress to receive 2½ percent credit for all years of Congressional employment rather than limiting such credit to 15 years.

CIVIL SERVICE RETIREMENT FINANCING

Title I of S. 2754 provides a long-term, permanent solution to the problem of the unfunded liability of the Civil Service Retirement and Disability Fund.

Since its creation in 1920, the Retirement Fund has had an unfunded deficit. The actuarial theory of the retirement system is that the normal cost will be fully met if a percentage of pay is withheld from the employee's salary, a percentage of payroll is contributed by each agency and the total is invested at interest. This actuarial determination takes into account the age and longevity of the group, and a normal progression in salary throughout a career in the Federal service. It does not take into account extending retirement benefits to new groups, improving retirement benefits, increases in salary enacted by Congress from time to time, the Government's failure to make payments in some years, or the Government's failure to pay the interest on the unfunded liability.

The result is that the Fund has a liability which is not funded through agency and employee contributions. All service performed prior to August 1, 1920, for instance, was credited even though no payment was made for such service. Increases in salary enacted by Congress increase the average salary base for annuity computation, but contributions are not made by either the employee or the agency to pay for the cost which such increases make in the future annuity when past service is credited at the new average salary rate. The Fund also loses the interest on the unfunded liability which would have been earned if payment had been made.

Of the total liability of \$78 billion now owed by the Fund (that is, the present value of all payments promised for service already performed), \$57.7 billion was not funded as of June 30, 1969.

Receipts now exceed disbursements, and will continue to do so until 1975. Thereafter, however, annuity payments will exceed income from employee and agency contributions and earnings, and by 1987 the liquid assets of the Fund will be depleted.

If action to prevent depletion of the Fund is not taken at this time, an annual appropriation will be necessary each year after 1987, and the impact upon the budget will be significant. It will also sub-

ject the payment of annuities to the procedures of budget requests and appropriations.

In 1963, the Committee on Post Office and Civil Service considered legislation to provide for a gradual increase in agency contributions to the Fund to meet the interest on the unfunded liability by the year 1986. That legislation proposed a mandatory increase in agency contribution from 6½ percent to 17½ percent over a 22-year period to meet the \$1,574 million annual cost (in 1963) of lost interest on the unfunded liability. Action on that legislation was postponed.

In 1967, the administration proposed that legislation be enacted to authorize a permanent indefinite appropriation for a transfer of funds from the Treasury to the credit of the Civil Service Retirement and Disability Fund, beginning at 10 percent of the lost interest and increasing over a period of 10 years to meet the full amount of the lost interest on the unfunded liability; and that future liberalizations of the program be paid by amortizing the cost of the liberalizations in equal annual payments over a 30-year period. That is the legislation embodied in title I of S. 2754.

This method of funding the cost of future benefit changes will depend upon the willingness of the Congress and the administration to include in annual appropriations and budget requests funds necessary to meet the amortized cost of increased benefits. It will be of no consequence whatsoever to enact title I of S. 2754 unless both the Congress, through its appropriation process, and the Executive branch, in its recommendation of funds necessary for each fiscal year, face the fact that further inaction will result in a bankrupt retirement fund in 18 years.

Neither branch of the Government can ignore the cost implications of Federal retirement benefits. At the present time, the liability of the Civil Service Retirement and Disability Fund is increased by \$2.55 every time a \$1 pay increase is enacted. The \$1.3 billion pay increase for classified and postal employees which became effective July 1, 1969, increased the future liability of the Fund by \$3.4 billion. The annual interest on the present unfunded liability which was *not* paid at the end of fiscal year 1969 added more than \$1.9 billion to the total liability of the Fund. The nine statutory salary increases, four civil service retirement laws, and the nine annual installments of lost interest on the unfunded liability of the Fund which have occurred since June 30, 1960, have doubled the unfunded liability—from \$31.1 billion in 1960 to \$61.1 billion in 1969.

The obligation of the Government to insure that payments for retired employees are made, and made when due, requires that action be taken now to insure that there will be an adequate amount in the Fund after 1987 to meet all obligations incurred.

MILITARY SERVICE CREDIT

The financing provisions of title I have been amended to provide that the cost of military service credited for civil service retirement shall be paid annually by a transfer of funds from the Treasury to the Civil Service Retirement and Disability Fund equal to the annual disbursement of annuities attributable to the crediting of military service. To avoid an undue impact upon the budget, the transfer is amortized over a 10-year period.

Under existing law, service credited for civil service retirement annuities includes years of active service in the military service of the United States. At the present time, this amounts to 4.5 percent of annuities, or an annual cost of \$95 million. Neither the employee nor any agency of the Government contributes any money to the Fund for this credit. Thus, an employee who retires from the civil service after 15 years of civilian service and 5 years of military service receives an annuity based on 20 years' service, although he and his agency have paid for only 15 years' service. The cost of crediting military service is made up out of the Fund.

The committee recommendation requires that the Treasury pay to the Fund the amount of annual annuity payments resulting from military service credit. This payment will result in an annual payment to the Fund beginning at approximately \$9.5 million and rising over a 20-year period to a maximum of \$300 million a year. Thereafter, because of the restrictions of the Social Security Act relating to military service performed after December 31, 1956 which results in a social security benefit, service will not be permanently creditable for civil service retirement purposes. The annual payment will decline to a level figure of approximately \$100 million in the distant future.

The committee believes that the transfer of funds is appropriate and desirable because the normal cost estimated by the Commission in determining an appropriate rate of contribution for agencies and employees includes 0.22 percent of payroll for military service credit even though it benefits only some employees and it is not civilian service to the Federal Government. The argument that such a transfer is merely bookkeeping loses effect in view of the fact that employees pay for the credit which only about one-half of all employees receive. Carried to its conclusion, the argument would support the position that all Government financial transactions are merely bookkeeping and all money should be appropriated in a lump sum.

TITLE II—RETIREMENT BENEFITS

The committee has reported favorably the following amendments to the Civil Service Retirement Act:

HIGH-3 AVERAGE

The committee approves language to change the basic period for computing civil service annuities from the highest 5 consecutive years to the highest 3 consecutive years. Under existing law, in effect since 1930, the formula for computing an employee's annuity is to multiply his number of years of service by a percentage of salary received over the best 5 consecutive years of earnings. The additional cost incurred will be 0.07 percent of payroll, equal to \$15.4 million increase in normal cost of the system.

CREDIT FOR UNUSED SICK LEAVE

The committee approves language for crediting, for retirement purposes, accumulated sick leave which an employee has at the time of his retirement.

Under the Annual and Sick Leave Act of 1951, each employee subject to the Act is entitled to sick leave on an accumulative basis. For

each biweekly pay period, he is credited with 4 hours of sick leave. There is no restriction on the total number of hours he may accumulate. An employee who works 30 years in the civil service has earned 390 days of sick leave, equal to about a year and a half of normal working days. At the time of his retirement his sick leave, if any, is forfeited.

The Civil Service Commission estimates that about half of all Federal employees retire with no accumulated sick leave and about half of them retire with an average of 44 days of unused sick leave. The problem of the use (or abuse) of sick leave is one that should be handled properly by administrative officers of the Executive branch; but regardless of the reasons for the use (or abuse) of sick leave, an employee who retires with 6 months' accumulated sick leave has devoted more time serving his Government than an employee who retires with no accumulated sick leave.

The additional cost incurred by crediting unused sick leave will be 0.06 percent of payroll, or \$13.2 million increase in normal cost.

The committee would like for the Civil Service Commission to consult with Federal agencies during the calendar year 1970 to survey the use of sick leave after the enactment of this Act to determine whether there has been any significant effect upon its use by employees, and to report to this committee at the beginning of the 92d Congress on the results of its survey.

COST-OF-LIVING ADJUSTMENTS FOR RETIRED FEDERAL EMPLOYEES

The committee approves provisions increasing all cost-of-living adjustments under section 8340 of title 5, United States Code, by 1 percent beyond the Consumer Price Index figure used as a basis for adjustments.

Under existing law, whenever the Consumer Price Index shows a 3-percent increase for each of 3 consecutive months over the base month, annuities are adjusted by the highest percentage of any of the 3 months and that month becomes the new base month for the purpose of future adjustments. Since the cost-of-living provisions of the Civil Service Retirement Act were revised in 1965, cost-of-living adjustments have been made in January 1967, May 1968, and March of 1969—each 3.9 percent.

In order to take into account the increased productivity of a national economy, as well as the possible inaccuracy of the Consumer Price Index as an indicator of purchased goods, particularly for retired employees, the committee approves the addition of a 1-percent adjustment with each cost-of-living increase.

SURVIVOR ANNUITIES UNDER THE ACT OF JULY 18, 1966

Section 506 of Public Law 89-504 amended the Civil Service Retirement Act to provide that when the surviving spouse of a Federal employee remarries after attaining age 60, her civil service annuity would not be terminated, or if she remarried prior to age 60 and the marriage was terminated, her annuity could be reinstated. The benefits provided by that Act (signed by the President, July 18, 1966) were not retroactive and had no effect upon the survivor annuity of any spouse whose annuity was *based on* a death or retirement occurring prior to the date of enactment of the legislation. The effect of this

was that two surviving spouses of two Federal employees, one of whom retired on July 17, 1966 and the other of whom retired on July 19, 1966, would be treated quite differently if they remarried at any time after their husbands' deaths. Twenty years later, the same two surviving spouses could remarry after achieving age 60, and one would continue to receive her annuity while the other would not.

It has been the general policy of the committee to refrain from recommending legislation which has a retroactive effect upon civil service retirement; however, in this instance the equities of the situation are such that language permitting continuance of annuity in the case of a spouse whose survivor annuity is based on a death or retirement occurring *prior* to July 18, 1966, but whose remarriage occurred *on or after* the date of enactment of the 1966 Act, should be approved. In addition, language authorizing the continuance of such an annuity whenever the survivor of a Federal employee has been incorrectly advised by Government authority between the effective date of the 1966 Act and the effective date of this Act that such remarriage would not affect her annuity is approved. It is unfortunate that in some circumstances, officials of Executive agencies have advised an employee of rights or benefits under prevailing law or regulations which advice is erroneous. The surviving spouse of a Federal employee who receives a letter from a Government agency indicating that her annuity will not be jeopardized by her remarriage should be able to rely upon such information.

SURVIVOR ANNUITIES

The committee proposes to amend the Civil Service Retirement Act to improve very substantially the survivor benefits for employees who die with little Federal service, for employees who die after retiring upon a disability annuity, and for the surviving children of Federal employees.

Under existing law, no civil service employee earns any vested annuity rights or benefits until he has completed 5 years of service under the Civil Service Retirement Act. Thus, an employee who dies with 4 years 11 months and 29 days of Federal civilian service under the Act is entitled to no benefits and his survivors receive only a refund of the deductions which have been made from his payroll check in each pay period during his years of service. Had he lived another day, such an employee would have vested annuity benefits for his survivors which would pay to each of his children approximately \$61 a month and would pay to his surviving spouse a 55-percent remainder of his earned annuity.

An employee who retires on a disability annuity of 40 percent of salary under the Civil Service Retirement Act and who thereafter dies, leaves his family with minimal benefits, because the basis for the disability annuity which he received as a retired employee is substantially reduced in determining survivor annuity benefits.

For example, Joe Jones is a 27-year-old civil service employee with 6 years' service and an average salary of \$10,000 a year. He dies, leaving a wife and two small children. Mrs. Jones receives a survivor annuity equal to 55 percent of his *earned* annuity. After 6 years' service, Joe has an earned annuity of 91¼ percent of his average salary, or \$925 a year. Mrs. Jones' annuity is \$527 a year, or \$44 a month. Each

child is entitled to a survivor annuity of \$61 a month. The total survivor annuity for Jones' widow and the children is \$1,991 a year, subject to cost-of-living adjustments related to the Consumer Price Index.

If Jones had been employed in private industry subject to the Social Security Act under similar pay and tenure, his survivors would have received the "maximum family benefit" of \$4,982.40 a year. This would result from applicable current social security law which under existing limitations would give Mrs. Jones and each child \$138.40 a month. When the older child reaches majority, the other child and the widow's benefit would increase to \$153 a month each, almost twice the benefit payable to all three under the Civil Service Retirement Act's survivor provisions.

In the case of a civil service employee who is disabled and subsequently dies, the example is similar. Had Jones retired on a disability annuity, his annuity would be the smaller of 40 percent of his average salary or his annuity projected to age 60. In most cases, the 40-percent clause applies, and Jones would receive \$4,000 a year. But if he died after disability retirement, the 40-percent provision would be eliminated and his survivors would be entitled only to a survivor annuity based on his earned annuity. Mrs. Jones would receive the same \$527 a year for herself and the same \$1,464 for the children. Had Jones been retired on disability under social security, the survivor's annuity would be the same as that described in the first example.

Using social security as a comparison is not entirely relevant when evaluating benefits under the Civil Service Retirement Act, because the two systems have different basic purposes. Civil service retirement is a long term, staff retirement plan based on earnings and length of service; but that it is a staff retirement plan should not obscure the fact that 3 million employees rely upon its protection for survivor benefits as well as retirement, and are excluded from participation under social security.

Adequate protection, particularly for the younger employee whose earnings are low and service is short, has been a major goal of this committee and the administration for several years. Legislation to provide a transfer of credit from civil service to social security has been proposed, but no encouraging action has been taken by the Committees on Post Office and Civil Service, the Committee on Finance, or the Committee on Ways and Means.

In 1967, employee unions initially supported such a plan in public hearings before the House Committee on Post Office and Civil Service, but subsequently provisions necessary to effect the transfer of credit were stricken from a bill reported by the Committee on Ways and Means. This committee is inclined to believe that Federal employees do not desire to establish a close relationship between social security and civil service retirement.

Until the issue of transfers between retirement systems can be satisfactorily resolved, the survivors of Federal employees who die with fewer than 5 years' service, or those who die with a vested annuity but little service will continue to suffer drastic curtailment of income. The committee believes it is in the best interest of the employee and the Government to improve substantially the survivor protection offered

these employees at this time, solely through amendments to the Civil Service Retirement Act, and continue the effort to work out a transfer system at a later date.

Accordingly, the committee recommends that when an employee serves 18 consecutive months in a position under the Civil Service Retirement Act, his annuity rights (for survivor protection only) shall vest, and in the event of his death thereafter, his widow shall be entitled to an annuity equal to 55 percent of 40 percent of his average salary. If he dies after retiring on disability, his wife will be entitled to at least 55 percent of his disability salary.

Although this is a very substantial improvement in the retirement program, it is not a great windfall. Mrs. Jones, in the example cited above, would be entitled to a survivor annuity of \$2,200 a year rather than \$527.

The committee also recommends that the survivor annuity for the unmarried children under 18 years of age of a Federal employee (or an unmarried child between 18 and 22 who is a full-time student) be increased from the present minimum standards. Existing law pays a benefit of \$600 a year, or 40 percent of the employee's average salary divided by the number of children, or \$1,800 a year divided by the number of children, *whichever is less*. The cost-of-living adjustments in effect since 1962 have raised the actual minimum payment to \$732 per child per year for not to exceed three children.

The committee recommends that the minimum be increased to \$900 a year, 60 percent of average salary divided by the number of children, or \$2,700 divided by the number of children, *whichever is less*. This is an actual increase of \$168 per child per year under existing annuity payment schedules, or about 25 percent. The cost-of-living adjustments made since 1962 would be eliminated and a new base period for future adjustments would be established. Proportional increases are made in the survivor annuity of a child who has lost both parents.

The total cost of the entire survivor annuity amendment proposed by the committee will be \$46 million a year in normal cost. This is equal to 0.21 percent of payroll. The survivor annuity amendments relating to extension of coverage to short-term employees and a new guaranteed minimum for the survivors of an employee who dies after retirement on a disability annuity, will cost 0.17 percent of payroll; and the increases in the survivor annuities for children presently on the rolls and those coming on the rolls in the future is 0.04 percent of payroll.

ANNUITIES FOR CONGRESSIONAL EMPLOYEES

Under the provisions of the Civil Service Retirement Act relating to employees of the Congress, the first 15 years of military service and Congressional service are computed at $2\frac{1}{2}$ percent of the employee's high-5 average rather than the normal percentage computation used for civil service employees generally ($1\frac{1}{2}$ percent for the first 5 years, $1\frac{3}{4}$ percent for the next 5 years, and 2 percent for the remainder). This has been a part of the Civil Service Retirement Act for some years and compensates employees of the Congress because their jobs generally depend upon the good health and political fortunes of a Senator or Representative.

The committee approves language to remove the limitation on the number of years of Congressional employee service computed at 2½ percent (not to exceed a total maximum annuity of 80 percent of the high-3 average), to limit military service creditable at 2½ percent to 5 years, and to increase the Congressional employee's contribution from 6½ percent to 7½ percent of gross pay.

The committee proposes several new amendments to the Civil Service Retirement Act to provide basic and significant changes in the Civil Service Retirement System:

TAXATION OF RETIREMENT ANNUITIES

Finally, the committee recommends that the Civil Service Retirement Act be amended to exclude an amount not to exceed \$3,000 in annuity payments from Federal income taxes.

Under existing law, civil service retirement annuities are not subject to Federal income tax until the employee's total contribution to the Retirement Fund has been paid by annuity payments. Ordinarily, it takes about 3 years for this to happen. Thereafter, civil service retirement annuity payments are ordinary income.

Neither social security nor railroad retirement benefits, both paid by the Federal Government, are subject to Federal income tax. The committee has received repeated suggestions by retired employees that at least a portion of civil service annuities be exempted from income taxes.

The anticipated loss of revenue resulting from the committee amendment cannot be accurately estimated. Considering that annuitants and their spouses past the age of 65 each receive a double exemption and a retirement credit under the provisions of the Internal Revenue Code, the taxable income after all deductions is small and the amount of income tax paid to the Federal Government is not substantial. But it is also clear that retired Federal employees are discriminated against when compared to social security or railroad retirement annuitants. In any case, the committee believes that it is clearly equitable and socially desirable to exempt a reasonable portion of the civil service retirement annuity from Federal taxation.

The provisions of this amendment are similar to the provisions of S. 2087, which was introduced on May 8, 1969, and referred to the Committee on Post Office and Civil Service.

COST

The bill as reported by the committee will increase the normal cost of the civil service retirement system from the present figure of 13.86 percent of payroll to 13.98 percent of payroll. This cost figure takes into account the reduction in the cost caused by charging the general fund of the Treasury with the funding of retirement credit for military service.

The unfunded liability will be increased by the benefits enacted in this legislation by \$1.4 billion and will be reduced by the transfer of funds relating to military service credit by \$4.7 billion, resulting in a net decrease of the unfunded liability of \$3.3 billion.

SECTIONAL ANALYSIS

Section 101 adds several new definitions to the provisions of title 5, United States Code, relating to civil service retirement in order to implement the new provisions of the bill relating to retirement financing.

Section 101(3) defines "normal cost." Normal cost is the contribution necessary, invested at interest, to pay for the benefits authorized by law. The present normal cost of the system is 13.86 percent of payroll, but the contribution is 13 percent.

The benefits and added contribution included in this bill will increase normal cost to 13.98 percent and contribution to 14 percent.

Section 101(3) defines "fund balance" to mean cash on hand plus investments at par.

Section 101(3) defines "unfunded liability."

The total liability of the Fund now is about \$78 billion, of which about \$58 billion is not funded in any manner other than the full faith and credit of the Government of the United States.

Section 102 increases agency and employee contribution from 6.5 percent to 7 percent of payroll.

Section 102 increases the contribution of an employee of the Congress from 6.5 percent to 7.5 percent, to pay for the added benefits in section 203 of the bill, and increases a Member's contribution to 8 percent.

Section 102(b) makes the new contribution rate effective on the first pay period beginning in 1970.

Section 103 authorizes the Civil Service Commission to pay the expenses of administering the retirement program (and other retirement programs) out of the Civil Service Retirement and Disability Fund.

This language is presently contained in annual appropriation bills.

Section 103 enacts two new subsections relating to retirement financing.

Section 8348(g) of existing law, commonly known as the Thomas Rider (named for Congressman Albert Thomas, chairman of the Independent Offices Appropriations Subcommittee), prohibits the payment of liberalizations in the retirement program until appropriations are made to pay the cost. The benefit changes in retirement annuities enacted in 1962, for instance, were not paid until June 1963, because appropriations were not made until that time. Annual appropriations have been made since 1963 to pay the annual cost of the 5-percent increase.

The new language repeals the Thomas Rider and provides that hereafter liberalized benefits or increases in salary will automatically authorize appropriations over a 30-year period, in equal annual installments, to pay the cost of the added unfunded liability caused by such benefits or salary increases.

The effect will be to stop the increase in the growth of the unfunded liability by paying the cost on an annual basis. The Commission estimates that the unfunded liability will cease to grow in fiscal year 1979 and will remain constant thereafter at about \$76.8 billion.

The new subsection 8348(g) authorizes the Secretary of the Treasury to transfer money from the Treasury to the Fund at the end of each fiscal year to pay the interest on the unfunded liability as well as the

cost of military service credit. To avoid a severe impact on the budget, the payment would be graduated over a 10-year period, becoming fully effective in fiscal year 1980, at a level cost of \$2,990 million.

Section 104 is a technical amendment revising language in title 5 relating to annual reports. The substance of the report requirement is not changed.

Section 105 repeals a report requirement on the annual cost of the annuity increases enacted by Congress in 1958. Such costs will hereafter be paid out of the Fund and annual reports or annual appropriations will not be necessary. This is a technical amendment.

Section 201 revises the computation factor so that the "average salary" used to compute annuities for retired employees will be the highest 3 consecutive years rather than the highest 5 consecutive years and so that average salary for short term will conform to the new survivor annuity amendments.

Section 202 permits an employee retiring with accumulated sick leave to have such leave credited towards his length of service for annuity purposes.

Section 203 allows an employee of the Congress to compute his total congressional service on the 2.5 percent formula, rather than limiting such computation to not more than 15 years' Congressional service.

The Congressional employees would pay an additional 1 percent for this additional benefit.

Section 204 adds 1 percent to each cost-of-living increase for retired employees.

Under existing law, whenever the Consumer Price Index rises 3 percent for each of 3 consecutive months, all civil service annuities are increased by the highest percentage figure within those 3 months. This provision would add another 1 percent to the increase.

Section 204(b) increases the minimum survivor annuity for the children of a deceased Federal employee.

Section 205 changes the remarriage provisions of the 1966 retirement bill. Under the law, which applies only to persons eligible *after* the date of enactment, the surviving spouse of an employee or annuitant who remarries after age 60 does not lose her annuity, or if she remarried prior to age 60, she can have her annuity reinstated if the second marriage is terminated. The liberalization applies to no spouse whose annuity is *based on* a death or retirement occurring prior to July 18, 1966 (date of enactment).

This change permits the widow to continue receiving her annuity or to have such annuity reinstated if her spouse died or retired prior to July 18, 1966, but her remarriage did or does *not* occur until after such date.

Section 205 also permits the widow of an employee whose survivor annuity has been terminated by remarriage to have her annuity reinstated if she was advised by Government authority that her remarriage would not affect her annuity.

Section 206 provides the new survivor annuity language for Federal employees who have at least 18 months' service or who retire on disability.

Section 207 exempts up to \$3,000 of civil service retirement annuities from Federal income taxes.

Section 208 provides effective dates.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law in which no change is proposed is shown in roman; existing law proposed to be omitted is enclosed in black brackets; new matter is shown in *italic*):

I. TITLE 5, UNITED STATES CODE

CHAPTER 13—SPECIAL AUTHORITY

* * * * *

§ 1308. Annual reports

* * * * *

(c) The Commission shall publish an annual report on the operation of subchapter III of chapter 83 of this title, including a statement concerning the status of the Civil Service Retirement and Disability Fund [on a normal cost plus interest basis].

* * * * *

CHAPTER 83—RETIREMENT

* * * * *

SUBCHAPTER III—CIVIL SERVICE RETIREMENT

§ 8331. Definitions

* * * * *

(4) “average pay” means the largest annual rate resulting from averaging an employee’s or Member’s rates of basic pay in effect—

(A) over any [5] 3 consecutive years of creditable service *or, in the case of an annuity under subsection (d) or (e) (1) of section 8341 of this title based on service of less than 3 years, over the period of service*; or

(B) at a Member’s option over all periods of Member service after August 2, 1946, used in the computation of an annuity under this subchapter;
with each rate weighted by the time it was in effect;

* * * * *

(15) “price index” means the Consumer Price Index (all items—United States city average) published monthly by the Bureau of Labor Statistics; [and]

(16) "base month" means the month for which the price index showed a percent rise forming the basis for a cost-of-living annuity increase[.];

(17) "normal cost" means the entry-age normal cost computed by the Civil Service Commission in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay;

(18) "Fund balance" means the sum of—

(A) the investments of the Fund calculated at par value; and

(B) the cash balance of the Fund on the books of the Treasury; and

(19) "unfunded liability" means the estimated excess of the present value of all benefits payable from the Fund to employees and Members, and former employees and Members, subject to this subchapter, and to their survivors, over the sum of—

(A) the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf; plus

(B) the present value of Government payments to the Fund under section 8348(f) of this title; plus

(C) the Fund balance as of the date the unfunded liability is determined.

* * * * *

§ 8334. Deductions, contributions, and deposits

(a)(1) The employing agency shall deduct and withhold [6½] 7 percent of the basic pay of an employee, [and] 7½ percent of the basic pay of a *Congressional employee*, and 8 percent of the basic pay of a Member [, and an]. An equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingency fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

(2) The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member [under this section] also shall be credited to the Fund.

(b) Each employee or Member is deemed to consent and agree to these deductions from basic pay. Notwithstanding any law or regulation affecting the pay of an employee or Member, payment less these deductions is a full and complete discharge and acquittance of all claims and demands for regular services during the period covered by the payment, except the right to the benefits to which the employee or Member is entitled under this subchapter.

(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

	Percentage of basic pay	Service period
Employee	2½	August 1, 1920, to June 30, 1926.
	3½	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6½	After October 31, 1956. November 1, 1956, to December 31, 1969.
	7	After December 31, 1969.
Member or employee for Congressional employee service	2½	August 1, 1920, to June 30, 1926.
	3½	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to June 30, 1948.
	6	July 1, 1948, to October 31, 1956.
	6½	November 1, 1956, to December 31, 1969.
	7½	After December 31, 1969.
Member for Member service	2½	August 1, 1920, to June 30, 1926.
	3½	July 1, 1926, to June 30, 1942.
	5	July 1, 1942, to August 1, 1946.
	6	August 2, 1946, to October 31, 1956.
	7½	After October 31, 1956. November 1, 1956, to December 31, 1969.
	8	After December 31, 1969.

Notwithstanding the foregoing provisions of this subsection, the deposit with respect to a period of service referred to in section 8332(b) (6) [which was performed prior to the effective date of the National Guard Technicians Act of 1968] of this title performed before January 1, 1969, shall be an amount equal to 55 [per centum] percent of a deposit computed in accordance with such provisions.

(d) Each employee or Member who has received a refund of retirement deductions under this or any other retirement system established for employees of the Government covering service for which he may be allowed credit under this subchapter may deposit the amount received, with interest. Credit may not be allowed for the service covered by the refund until the deposit is made.

(e) Interest under subsection (c) or (d) of this section is computed from the mid-point of each service period included in the computation, or from the date refund was paid, to the date of deposit or commencing date of annuity, whichever is earlier. The interest is computed at the rate of 4 percent a year to December 31, 1947, and 3 percent a year thereafter compounded annually. The deposit may be made in one or more installments. Interest may not be charged for a period of separation from the service which began before October 1, 1956.

(f) Under such regulations as the Civil Service Commission may prescribe, amounts deducted under subsection (a) of this section and deposited under subsections (c) and (d) of this section shall be entered on individual retirement records.

(g) Deposit may not be required for—

- (1) service before August 1, 1920;
- (2) military service;
- (3) service for the Panama Railroad Company before January 1, 1924; [or]

(4) service performed before January 1, 1950, by natives of the Pribilof Islands in the taking and curing of fur seal skins and other activities in connection with the administration of the Pribilof Islands[.]; or

(5) *days of unused sick leave credited under section 8339(m) of this title.*

(h) For the purpose of survivor annuity, deposits authorized by subsections (c) and (d) of this section may also be made by the survivor of an employee or Member.

* * * * *

§ 8339. Computation of annuity

(a) Except as otherwise provided by this section the annuity of an employee retiring under this subchapter is—

(1) $1\frac{1}{2}$ percent of his average pay multiplied by so much of his total service as does not exceed 5 years; plus

(2) $1\frac{3}{4}$ percent of his average pay multiplied by so much of his total service as exceeds 5 years but does not exceed 10 years; plus

(3) 2 percent of his average pay multiplied by so much of his total service as exceeds 10 years.

However, when it results in a larger annuity, 1 percent of his average pay plus \$25 is substituted for the percentage specified by paragraph (1), (2), or (3) of this subsection, or any combination thereof.

(b) The annuity of a Congressional employee, or former Congressional employee, retiring under this subchapter is computed under subsection (a) of this section, except, if he has had—

(1) at least 5 years' service as a Congressional employee or Member or any combination thereof; and

(2) deductions withheld from his pay or has made deposit covering his last 5 years of civilian service;

his annuity is computed, with respect to [so much of] his service as a Congressional employee, [and] his military service [as does] not [exceed a total of 15] *exceeding* 5 years, and any Member service, by multiplying $2\frac{1}{2}$ percent of his average pay by the years of that service.

(c) The annuity of a Member, or former Member with title to Member annuity, retiring under this subchapter is computed under subsection (a) of this section, except, if he has had at least 5 years' service as a Member or Congressional employee or any combination thereof, his annuity is computed with respect to—

(1) his service as a Member and so much of his military service as is creditable for the purpose of this paragraph;

(2) [so much of] his Congressional employee service [as does not exceed 15 years];

by multiplying $2\frac{1}{2}$ percent of his average pay by the years of that service.

(d) The annuity of an employee retiring under section 8336(c) of this title is 2 percent of his average pay multiplied by his total service.

(e) The annuity computed under subsections (a)–(d) of this section may not exceed 80 percent of—

(1) the average pay of the employee; or

(2) the greater of—

(A) the final basic pay of the Member; or

(B) the final basic pay of the appointive position of a former Member who elects to have his annuity computed or recomputed under section 8344(b)(1) of this title.

(f) The annuity of an employee or Member retiring under section 8337 of this title is at least the smaller of—

- (1) 40 percent of his average pay; or
- (2) the sum obtained under subsections (a)–(c) of this section after increasing his service of the type last performed by the period elapsing between the date of separation and the date he becomes 60 years of age.

[However, this subsection does not increase the annuity of a survivor.]

(g) The annuity computed under subsections (a), (b), and (e) of this section for an employee retiring under section 8336(d) of this title is reduced by $\frac{1}{8}$ of 1 percent for each full month the employee is under 55 years of age at the date of separation. The annuity computed under subsections (c) and (e) of this section for a Member retiring under the second or third sentence of section 8336(f) of this title or the third sentence of section 8338(b) of this title is reduced by $\frac{1}{12}$ of 1 percent for each full month not in excess of 60 months, and $\frac{1}{8}$ of 1 percent for each full month in excess of 60 months, the Member is under 60 years of age at the date of separation.

(h) The annuity computed under subsections (a)–(g) of this section is reduced by 10 percent of a deposit described by section 8334(c) of this title remaining unpaid, unless the employee or Member elects to eliminate the service involved for the purpose of annuity computation.

(i) The annuity computed under subsections (a)–(h) of this section **[(excluding any increase because of retirement under section 8337 of this title)]** for a married employee or Member retiring under this subchapter, or any portion of that annuity designated in writing for the purpose of section 8341(b) of this title by the employee or Member at the time of retirement, is reduced by $2\frac{1}{2}$ percent of so much thereof as does not exceed \$3,600 and by 10 percent of so much thereof as exceeds \$3,600, unless the employee or Member notifies the Civil Service Commission in writing at the time of retirement that he does not desire his spouse to receive an annuity under section 8341(b) of this title.

(j) At the time of retiring under section 8336 or 8338 of this title, an unmarried employee or Member who is found to be in good health by the Commission may elect a reduced annuity instead of an annuity computed under subsections (a)–(h) of this section and name in writing an individual having an insurable interest in the employee or Member to receive an annuity under section 8341(c) of this title after the death of the retired employee or Member. The annuity of the employee or Member making the election is reduced by 10 percent, and by 5 percent for each full 5 years the individual named is younger than the retiring employee or Member. However, the total reduction may not exceed 40 percent.

(k) The annuity computed under subsections (a)–(j) of this section for an employee who is a citizen of the United States is increased by \$36 for each year of service in the employ of—

- (1) the Alaska Engineering Commission, or The Alaska Railroad, in Alaska between March 12, 1914, and July 1, 1923; or

(2) the Isthmian Canal Commission, or the Panama Railroad Company on the Isthmus of Panama between May 4, 1904, and April 1, 1914.

(l) In determining service for the purpose of computing an annuity under each paragraph of this section, 45 per centum of each year, or fraction thereof, of service referred to in section 8332(b)(6) which was performed prior to the effective date of the National Guard Technicians Act of 1968 shall be disregarded.

(m) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter.

§ 8340. Cost-of-living adjustment of annuities

(a) Effective December 1, 1965, each annuity payable from the Fund having a commencing date before December 2, 1965, is increased by—

(1) the percent rise in the price index, adjusted to the nearest $\frac{1}{10}$ of 1 percent, determined by the Civil Service Commission on the basis of the annual average price index for calendar year 1962 and the price index for the base month of July 1965; plus

(2) $6\frac{1}{2}$ percent if the commencing date (or in the case of the survivor of a deceased annuitant the commencing date of the annuity of the retired employee) occurred before October 2, 1956, or $1\frac{1}{2}$ percent if the commencing date (or in the case of the survivor of a deceased annuitant the commencing date of the annuity of the retired employee) occurred after October 1, 1956.

Each annuity payable from the Fund (other than the immediate annuity of an annuitant's survivor or of a child entitled under section 8341(e) of this title) having a commencing date after December 1, 1965, but before January 1, 1966, is increased from its commencing date as if the annuity commencing date were December 1, 1965. Each survivor annuity authorized by—

(A) section 8 of the Act of May 29, 1930, as amended to July 6, 1950; or

(B) section 2 of the Act of June 25, 1958 (72 Stat. 219); is increased by any additional amount required to make the total increase under this subsection equal to the smaller of 15 percent or \$10 a month.

(b) Each month the Commission shall determine the percent change in the price index. Effective the first day of the third month that begins after the price index change equals a rise of at least 3 percent for 3 consecutive months over the price index for the base month, each annuity payable from the Fund having a commencing date not later than that effective date shall be increased by *1 percent plus* the percent rise in the price index (calculated on the highest level of the price index during the 3 consecutive months) adjusted to the nearest $\frac{1}{10}$ of 1 percent.

(c) Eligibility for an annuity increase under this section is governed by the commencing date of each annuity payable from the Fund as of the effective date of an increase, except as follows:

(1) Effective from its commencing date, an annuity payable from the Fund to an annuitant's survivor (except a child entitled

under section 8341(e) of this title), which annuity commences the day after the death of the annuitant and after the effective date of the first increase under this section, shall be increased by the total percent increase the annuitant was receiving under this section at death. However, the increase in a survivor annuity authorized by section 8 of the Act of May 29, 1930, as amended to July 6, 1950, shall be computed as if the annuity commencing date had been the effective date of the first increase under this section.

(2) For the purpose of computing **[an]** *the annuity of [that commences after the effective date of the first increase under this section to]* a child under section 8341(e) of this title *that commences on as after the first day of the first month that begins on or after the date of enactment of the Civil Service Retirement Amendments of 1969*, the items **[\$600]** \$900, **[\$720]**, \$1,080, **[\$1,800]** \$2,700, and **[\$2,160]** \$3,240 appearing in section 8341(e) of this title shall be increased by the total percent increases allowed and in force under this section **[or employee annuities that commenced after October 1, 1956]** *on or after such day* and, in case of a deceased annuitant, the items **[40]** 60 per cent and **[50]** 75 percent appearing in section 8341(e) of this title shall be increased by the total percent increase allowed and in force **[under this section]** to the annuitant **[at death]** *under this section on or after such day.*

(d) This section does not authorize an increase in an additional annuity purchased at retirement by voluntary contributions.

(e) The monthly installment of annuity after adjustment under this section shall be fixed at the nearest dollar. However, the monthly installment shall after adjustment reflect an increase of at least \$1.

(f) Effective September 1, 1966, or on the commencing date of annuity, whichever is later, the annuity of each surviving spouse whose entitlement to annuity payable from the Fund resulted from the death of—

(1) an employee or Member before October 11, 1962; or

(2) a retired employee or Member whose retirement was based on a separation from service before October 11, 1962;

is increased by 10 percent.

§ 8341. Survivor annuities

* * * * *

(d) If an employee or Member dies after completing at least **[5 years]** *18 consecutive months* of civilian service, the widow or dependent widower of the employee or Member is entitled to an annuity equal to 55 percent of an annuity computed under section 8339 (a)–(e) and (h) of this title as may apply with respect to the employee or **[Member.]** *Member, except that in the computation of the annuity under such section, the annuity of the employee or Member shall be at least the smaller of (i) 40 percent of his average pay, or (ii) the sum obtained under such section after increasing his service of the type last performed by the period elapsing between the date of death and the date he would have become 60 years of age.* The annuity of the widow or dependent widower commences on the day after the employee or Member dies. This annuity and the right thereto terminate on the last day of the month before—

(1) the widow or dependent widower dies;

(2) the dependent widower becomes capable of self-support;

(3) the widow or dependent widower of an employee remarries before becoming 60 years of age; or

(4) the widow or dependent widower of a Member remarries.

(e)(1) If an employee or Member dies after completing at least **[5 years]** *18 consecutive months* of civilian service, or an employee or Member dies after retiring under this subchapter, and is survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

(A) **[40]** 60 percent of the average pay of the employee or Member divided by the number of children;

(B) **[\$600]** \$900; or

(C) **[\$1,800]** \$2,700 divided by the number of children; subject to section 8340 of this title. If the employee or Member is not survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

(i) **[50]** 75 percent of the average pay of the employee or Member divided by the number of children;

(ii) **[\$720]** \$1,080; or

(iii) **[\$2,160]** \$3,240 divided by the number of children; subject to section 8340 of this title.

* * * * *

§ 8345. Payment of benefits; commencement, termination, and waiver of annuity

(a) Each annuity is stated as an annual amount, one-twelfth of which, fixed at the nearest dollar, constitutes the monthly rate payable on the first business day of the month after the month or other period for which it has accrued.

(b) Except as otherwise provided, the annuity of an employee or Member commences on the day after he is separated from the service, or on the day after his pay ceases and he meets the service and the age or disability requirements for title to annuity. An annuity payable from the Fund allowed after September 5, 1960, commences on the day after the occurrence of the event on which payment thereof is based.

(c) The annuity of a retired employee or Member terminates on the day death or other terminating event provided by this subchapter occurs. The annuity of a survivor terminates on the last day of the month before death or other terminating event occurs.

(d) An individual entitled to annuity from the Fund may decline to accept all or any part of the annuity by a waiver signed and filed with the Civil Service Commission. The waiver may be revoked in writing at any time. Payment of the annuity waived may not be made for the period during which the waiver was in effect.

(e) Payment due a minor, or an individual mentally incompetent or under other legal disability, may be made to the person who is constituted guardian or other fiduciary by the law of the State of residence of the claimant or is otherwise legally vested with the care of the claimant or his estate. If a guardian or other fiduciary of the individual under legal disability has not been appointed under the law of the State of residence of the claimant, payment may be made to any person who, in the judgment of the Commission, is responsible for the care of the claimant, and the payment bars recovery by any other person.

(f) *An amount, not to exceed \$3,000 each year, which is received by an annuitant or a survivor annuitant under this subchapter and, except for this subsection, which would be included as gross income for purposes of the Federal income tax laws, shall not be included as gross income under such laws.*

* * * * *

§ 8348. Civil Service Retirement and Disability Fund

(a) There is a Civil Service Retirement and Disability Fund. The Fund—

(1) is appropriated for *the* payment of—

[(1)] (A) benefits as provided by this subchapter; and

[(2)] (B) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title[.]; and

(2) *is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Commission in connection with the administration of this chapter and other retirement and annuity statutes.*

(b) The Secretary of the Treasury may accept and credit to the Fund money received in the form of a donation, gift, legacy, or bequest, or otherwise contributed for the benefit of civil service employees generally.

(c) The Secretary shall immediately invest, in interest-bearing securities of the United States such currently available portions of the Fund as are not immediately required for payments from the Fund. The income derived from these investments constitutes a part of the Fund.

(d) The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are extended to authorize the issuance at par of public-debt obligations for purchase by the Fund. The obligations issued for purchase by the Fund shall have maturities fixed with due regard for the needs of the Fund and bear interest at a rate equal to the average market yield computed as of the end of the calendar month next preceding the date of the issue, borne by all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of 4 years from the end of that calendar month. If the average market yield is not a multiple of $\frac{1}{8}$ of 1 percent, the rate of interest on the obligations shall be the multiple of $\frac{1}{8}$ of 1 percent nearest the average market yield.

(e) The Secretary may purchase other interest-bearing obligations of the United States, or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price only if he determines that the purchases are in the public interest.

[(f)] The Commission shall submit estimates of the appropriations necessary to finance the Fund on a normal cost-plus-interest basis and to carry out this subchapter.]

[(g)] Money now or hereafter contained in the Fund may not be used to pay an increase in annuity benefits or a new annuity benefit under this subchapter or an earlier statute which is authorized by amendment thereof until and unless an appropriation is made to the Fund in an amount which the Commission estimates to be sufficient to prevent an immediate increase in the unfunded accrued liability of the Fund.]

(f) Any statute which authorizes—

(1) new or liberalized benefits payable from the Fund, including annuity increases other than under section 8340 of this title;

(2) extension of the coverage of this subchapter to new groups of employees; or

(3) increases in pay in which benefits are computed;

is deemed to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in 30 equal annual installments with interest computed at the rate used in the then most recent valuation of the Civil Service Retirement System and with the first payment thereof due as of the end of the fiscal year in which each new or liberalized benefit, extension of coverage, or increase in pay is effective

(g) At the end of each fiscal year, the Commission shall notify the Secretary of the Treasury of the amount equivalent (1) to interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System, and (2) that portion of disbursement for annuities for that year, which the Commission estimates is attributable credit allowed for military service. Before closing the accounts for each fiscal year, the Secretary shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of such amounts: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund under this subsection.

II. TITLE I, INDEPENDENT OFFICES APPROPRIATION ACT, 1962

* * * * *

CIVIL SERVICE COMMISSION

* * * * *

PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABILITY FUND

For financing the annuity benefits and increases provided by the Act of June 25, 1958 (72 Stat. 218), \$44,637,000, to be credited to the civil service retirement and disability fund [: Provided, That the Civil Service Commission shall include annually, in its estimates to the Bureau of the Budget, estimates of the appropriations necessary to reimburse the civil service retirement and disability fund for the amounts paid out of the fund by reason of the enactment of Public Law 85-465, and the Bureau of the Budget shall submit such estimates annually to the Congress].

* * * * *



S. 2754

[Report No. 91-339]

IN THE SENATE OF THE UNITED STATES

AUGUST 1 (legislative day, JULY 30), 1969

Mr. McGEE (for himself, Mr. BOGGS, Mr. BURDICK, Mr. FANNIN, Mr. FONG, Mr. HOLLINGS, Mr. MOSS, Mr. RANDOLPH, Mr. STEVENS, and Mr. YARBOROUGH) introduced the following bill; which was read twice and referred to the Committee on Post Office and Civil Service

AUGUST 1 (legislative day, JULY 30), 1969

Reported by Mr. McGEE, without amendment

A BILL

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "Civil Service Retirement
4 Amendments of 1969".

5 **TITLE I—CIVIL SERVICE RETIREMENT**

6 **FINANCING**

7 SEC. 101. Section 8331 of title 5, United States Code,
8 is amended—

9 (1) by striking out "and" at the end of paragraph

10 (15) ;

1 (2) by striking out the period at the end of para-
2 graph (16) and inserting a semicolon in lieu thereof;
3 and

4 (3) by adding immediately below paragraph (16)
5 the following new paragraphs:

6 “(17) ‘normal cost’ means the entry-age normal
7 cost computed by the Civil Service Commission in ac-
8 cordance with generally accepted actuarial practice and
9 expressed as a level percentage of aggregate basic pay;

10 “(18) ‘Fund balance’ means the sum of—

11 “(A) the investments of the Fund calculated
12 at par value; and

13 “(B) the cash balance of the Fund on the
14 books of the Treasury; and

15 “(19) ‘unfunded liability’ means the estimated ex-
16 cess of the present value of all benefits payable from
17 the Fund to employees and Members, and former em-
18 ployees and Members, subject to this subchapter, and to
19 their survivors, over the sum of—

20 “(A) the present value of deductions to be
21 withheld from the future basic pay of employees
22 and Members currently subject to this subchapter
23 and of future agency contributions to be made in
24 their behalf; plus

25 “(B) the present value of Government pay-

1 ments to the Fund under section 8348 (f) of this
2 title; plus

3 “(C) the Fund balance as of the date the un-
4 funded liability is determined.”.

5 SEC. 102. (a) Section 8334 of title 5, United States
6 Code, is amended—

7 (1) by amending subsection (a) to read as follows:

8 “(a) (1) The employing agency shall deduct and with-
9 hold 7 percent of the basic pay of an employee, $7\frac{1}{2}$ percent
10 of the basic pay of a Congressional employee, and 8 percent
11 of the basic pay of a Member. An equal amount shall be con-
12 tributed from the appropriation or fund used to pay the em-
13 ployee or, in the case of an elected official, from an appro-
14 priation or fund available for payment of other salaries of the
15 same office or establishment. When an employee in the
16 legislative branch is paid by the Clerk of the House of Rep-
17 resentatives, the Clerk may pay from the contingent fund of
18 the House the contribution that otherwise would be con-
19 tributed from the appropriation or fund used to pay the
20 employee.

21 “(2) The amounts so deducted and withheld, together
22 with the amounts so contributed, shall be deposited in the
23 Treasury of the United States to the credit of the Fund under
24 such procedures as the Comptroller General of the United

1 States may prescribe. Deposits made by an employee or
 2 Member also shall be credited to the Fund.”; and

3 (2) by amending subsection (c) to read as follows:

4 “(c) Each employee or Member credited with civilian
 5 service after July 31, 1920, for which retirement deduc-
 6 tions or deposits have not been made, may deposit with
 7 interest an amount equal to the following percentages of
 8 his basic pay received for that service:

	“Percentage of basic pay	Service period
Employee----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7-----	After December 31, 1969.
Member or employee for Congressional employee service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7½-----	After December 31, 1969.
Member for Member service----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to August 1, 1946.
	6-----	August 2, 1946, to October 31, 1956.
	7½-----	November 1, 1956, to December 31, 1969.
	8-----	After December 31, 1969.

9 Notwithstanding the foregoing provisions of this subsec-
 10 tion, the deposit with respect to a period of service re-
 11 ferred to in section 8332 (b) (6) of this title performed
 12 before January 1, 1969, shall be an amount equal to 55

1 percent of a deposit computed in accordance with such
2 provisions.”.

3 (b) The amendment made by subsection (a) (1) of
4 this section shall become effective at the beginning of the
5 first applicable pay period beginning after December 31,
6 1969.

7 SEC. 103. (a) Section 8348 of title 5, United States
8 Code, is amended—

9 (1) by amending subsection (a) to read as
10 follows:

11 “(a) There is a Civil Service Retirement and Disability
12 Fund. The Fund—

13 “(1) is appropriated for the payment of—

14 “(A) benefits as provided by this subchapter;
15 and

16 “(B) administrative expenses incurred by the
17 Civil Service Commission in placing in effect each
18 annuity adjustment granted under section 8340 of
19 this title; and

20 “(2) is made available, subject to such annual limi-
21 tation as the Congress may prescribe, for any expenses
22 incurred by the Commission in connection with the ad-
23 ministration of this chapter and other retirement and
24 annuity statutes.”; and

1 (2) by striking out subsections (f) and (g) and
2 inserting in lieu thereof:

3 “(f) Any statute which authorizes—

4 “(1) new or liberalized benefits payable from the
5 Fund, including annuity increases other than under sec-
6 tion 8340 of this title;

7 “(2) extension of the coverage of this subchapter
8 to new groups of employees; or

9 “(3) increases in pay on which benefits are com-
10 puted;

11 is deemed to authorize appropriations to the Fund to fi-
12 nance the unfunded liability created by that statute, in
13 30 equal annual installments with interest computed at
14 the rate used in the then most recent valuation of the Civil
15 Service Retirement System and with the first payment
16 thereof due as of the end of the fiscal year in which each
17 new or liberalized benefit, extension of coverage, or increase
18 in pay is effective.

19 “(g) At the end of each fiscal year, the Commission
20 shall notify the Secretary of the Treasury of the amount
21 equivalent to (1) interest on the unfunded liability com-
22 puted for that year at the interest rate used in the then most
23 recent valuation of the System, and (2) that portion of
24 disbursement for annuities for that year which the Commis-
25 sion estimates is attributable to credit allowed for military

1 service. Before closing the accounts for each fiscal year, the
2 Secretary shall credit to the Fund, as a Government con-
3 tribution, out of any money in the Treasury of the United
4 States not otherwise appropriated, the following percentages
5 of such amounts: 10 percent for 1971; 20 percent for 1972;
6 30 percent for 1973; 40 percent for 1974; 50 percent for
7 1975; 60 percent for 1976; 70 percent for 1977; 80
8 percent for 1978; 90 percent for 1979; and 100 percent
9 for 1980 and for each fiscal year thereafter. The Commission
10 shall report to the President and to the Congress the sums
11 credited to the Fund under this subsection.”.

12 (b) (1) The provisions of subsection (g) of section
13 8348 of title 5, United States Code, as contained in the
14 amendment made by subsection (a) (2) of this section, shall
15 become effective at the beginning of the fiscal year which
16 ends on June 30, 1971.

17 (2) Paragraph (1) of this subsection shall not be held
18 or considered to continue in effect after the enactment of
19 this Act the provisions of section 8348 (g) of title 5, United
20 States Code, as in effect immediately prior to such enactment.

21 SEC. 104. Section 1308 (e) of title 5, United States
22 Code, is amended by striking out “on a normal cost plus
23 interest basis”.

24 SEC. 105. The proviso under the heading “CIVIL
25 SERVICE COMMISSION” and under the subheading

1 "PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABIL-
2 ITY FUND" in title I of the Independent Offices Appropria-
3 tion Act, 1962 (75 Stat. 345; Public Law 87-141), is
4 repealed.

5 TITLE II—CIVIL SERVICE RETIREMENT

6 BENEFITS

7 SEC. 201. Paragraph (4) (A) of section 8331 of title
8 5, United States Code, is amended to read as follows:

9 "(A) over any 3 consecutive years of creditable service
10 or, in the case of an annuity under subsection (d) or (e) (1)
11 of section 8341 of this title based on service of less than
12 3 years, over the period of service; or".

13 SEC. 202. Subsection (g) of section 8334 of title 5,
14 United States Code, is amended—

15 (1) by striking out the word "or" at the end of
16 paragraph (3) ;

17 (2) by striking out the period at the end of para-
18 graph (4) and inserting in lieu thereof a semicolon and
19 the word "or"; and

20 (3) by adding the following new paragraph im-
21 mediately below paragraph (4) :

22 "(5) days of unused sick leave credited under sec-
23 tion 8339 (m) of this title."

24 SEC. 203. Section 8339 of title 5, United States Code,
25 is amended—

(1) by striking out of subsection (b) the words “so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years” and inserting in lieu thereof “his service as a Congressional employee, his military service not exceeding 5 years,”;

(2) by amending subsection (c) (2) to read as follows:

“(2) his Congressional employee service;”;

(3) by striking out the last full sentence of subsection (f) ;

(4) by striking out “(excluding any increase because of retirement under section 8337 of this title)” in subsection (i) ; and

(5) by adding at the end thereof the following new subsection:

“(m) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter.”.

1 SEC. 204. (a) Subsection (b) of section 8340 of title 5,
2 United States Code, is amended by inserting "1 percent
3 plus" immediately after the word "by".

4 (b) Subsection (c) (2) of such section is amended to
5 read as follows:

6 "(2) For the purpose of computing the annuity of a
7 child under section 8341 (e) of this title that commences on
8 or after the first day of the first month that begins on or after
9 the date of enactment of the Civil Service Retirement
10 Amendments of 1969, the items \$900, \$1,080, \$2,700, and
11 \$3,240 appearing in section 8341 (e) of this title shall be
12 increased by the total percent increases allowed and in force
13 under this section on or after such day and, in case of a de-
14 ceased annuitant, the items 60 percent and 75 percent ap-
15 pearing in section 8341 (e) of this title shall be increased
16 by the total percent allowed and in force to the annuitant
17 under this section on or after such day."

18 SEC. 205. The provisions of subsections (b) (1),
19 (d) (3), and (g) of section 8341 of title 5, United States
20 Code, also shall apply in the case of any widow or widower—

21 (1) of an employee who died, retired, or was
22 otherwise finally separated before July 18, 1966;

23 (2) who shall have remarried on or after such
24 date; and

25 (3) who, immediately before such remarriage, was

1 receiving annuity from the Civil Service Retirement
2 and Disability Fund;
3 except that no annuity shall be paid by reason of this
4 section for any period prior to the enactment of this sec-
5 tion. No annuity shall be terminated solely by reason of
6 the enactment of this section. Notwithstanding the prohibition
7 contained in the first sentence of this section on the payment
8 of annuity for any period prior to the enactment of this sec-
9 tion, in any case in which the Civil Service Commission
10 determines that—

11 (1) the remarriage of any widow or widower de-
12 scribed in such sentence was entered into by the widow
13 or widower in good faith and in reliance on erroneous
14 information provided by Government authority prior to
15 that remarriage that the then existing survivor annuity
16 of the widow or widower would not be terminated be-
17 cause of the remarriage; and

18 (2) such annuity was terminated by law because of
19 that remarriage;

20 then payment of annuity may be made by reason of this sec-
21 tion in such case, beginning as of the effective date of the
22 termination because of the remarriage.

23 SEC. 206. (a) The first sentence of subsection (d) of
24 section 8341 of title 5, United States Code, is amended to
25 read as follows: "If an employee or Member dies after com-

1 pleting at least 18 consecutive months of civilian service, the
2 widow or dependent widower of the employee or Member is
3 entitled to an annuity equal to 55 percent of an annuity com-
4 puted under section 8339 (a)–(e) and (h) of this title as
5 may apply with respect to the employee or Member, except
6 that in the computation of the annuity under such section,
7 the annuity of the employee or Member shall be at least the
8 smaller of (i) 40 percent of his average pay, or (ii) the sum
9 obtained under such section after increasing his service of the
10 type last performed by the period elapsing between the date
11 of death and the date he would have become 60 years of
12 age.”

13 (b) Subsection (e) (1) of such section is amended to
14 read as follows:

15 “(e) (1) If an employee or Member dies after completing
16 at least 18 consecutive months of civilian service, or an em-
17 ployee or Member dies after retiring under this subchapter,
18 and is survived by a spouse, each surviving child is entitled
19 to an annuity equal to the smallest of—

20 “(A) 60 percent of the average pay of the employee
21 or Member divided by the number of children;

22 “(B) \$900; or

23 “(C) \$2,700 divided by the number of children;
24 subject to section 8340 of this title. If the employee or

1 Member is not survived by a spouse, each surviving child
2 is entitled to an annuity equal to the smallest of—

3 “(i) 75 percent of the average pay of the employee
4 or Member divided by the number of children;

5 “(ii) \$1,080; or

6 “(iii) \$3,240 divided by the number of children;
7 subject to section 8340 of this title.”

8 SEC. 207. Section 8345 of title 5, United States Code,
9 is amended by adding at the end thereof the following new
10 subsection:

11 “(f) An amount, not to exceed \$3,000 each year, which
12 is received by an annuitant or a survivor annuitant under
13 this subchapter and, except for this subsection, which would
14 be included as gross income for purposes of the Federal
15 income tax laws, shall not be included as gross income under
16 such laws.”

17 SEC. 208. (a) The amendments made by sections 201,
18 202, 203, and 206 (a) of this Act shall not apply in the
19 cases of persons retired or otherwise separated prior to the
20 date of enactment of this Act, and the rights of such persons
21 and their survivors shall continue in the same manner and
22 to the same extent as if such sections had not been enacted.

23 (b) The amendments made by section 204 (a) of this
24 Act to section 8340 of title 5, United States Code, shall apply

1 only to annuity increases which become effective under such
2 section 8340 after the date of enactment of this Act.

3 (c) (1) The amendment made by section 206 (b) of this
4 Act shall become effective on the first day of the first month
5 which begins on or after the date of enactment of this Act.
6 (2) The annuity of each surviving child receiving an
7 annuity under section 8341 (e) of title 5, United States Code,
8 or comparable provision of a prior law, immediately prior
9 to the effective date of such amendment shall be recomputed,
10 effective on such date, in accordance with such amendment.
11 No increase allowed and in force prior to such date under
12 section 8340 of such title shall be included in the recomputa-
13 tion of any such annuity, and this paragraph shall not oper-
14 ate to reduce any annuity.

15 (d) The amendment made by section 207 shall apply
16 with respect to amounts received on or after the first day of
17 the first calendar year beginning on or after the date of en-
18 actment of this Act.

91ST CONGRESS
1ST SESSION

S. 2754

[Report No. 91-339]

A BILL

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

By Mr. MCGEE, Mr. BOGGS, Mr. BURDICK, Mr.
FANNIN, Mr. FONG, Mr. HOLLINGS, Mr. MOSS,
Mr. RANDOLPH, Mr. STEVENS, and Mr. YAR-
BOROUGH

August 1 (legislative day, July 30), 1969
Read twice and referred to the Committee on Post
Office and Civil Service

August 1 (legislative day, July 30), 1969
Reported without amendment

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued 3 Oct. 1969
For actions of 2 Oct. 1969
91st-1st No. 160

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HIGHLIGHTS: Senate debated retirement bill. Sen. Curtis introduced and discussed bill to amend Meat Inspection Act.

HOUSE

1. APPROPRIATIONS. The Appropriations Committee reported H. R. 14159, the Public Works and Atomic Energy appropriations bill, 1970 (H. Rept. 91-548). p. H8934
2. ENVIRONMENT. Rep. Mailliard was appointed to replace Rep. Pelly as a conferee on the environmental quality bill. p. H8922
3. URBAN AFFAIRS. Several Representatives criticized the administration's announced cut in the model cities program. pp. H8846, H8924-5, H8925

4. FOREIGN AID. Rep. Hays criticized the administration's proposal asking for "a billion dollars more for foreign aid than the Congress voted last year." p. H8847
5. POLLUTION. Rep. McClory commended and inserted an editorial, "Funds for Pollution Control." p. H8923
6. BEEF PRICES. Rep. Poage suggested the housewife look "somewhere other than on the farm or ranch" for a "scapegoat" for the high price of retail meat. p. H8924
7. SUBSIDY PAYMENTS. Rep. Findley said that conferees on the agriculture appropriation bill should be instructed "to insist on the limitation provision" in the appropriation bill and inserted the arguments being advanced against the payment limit. pp. H8926-8
8. NUTRITION. Rep. Friedel commended Md.'s Governor for his efforts to obtain Federal assistance to feed hungry children in Md. pp. H8928-33
9. SOCIAL SECURITY. Rep. Staggers stated that the proposed increase in social security benefits is "insufficient." p. H8933
10. LOW INCOME FAMILIES. Both Houses received from HEW a proposed bill to authorize a family assistance plan providing basic benefits to low-income families with children, to provide incentives for employment and training to improve the capacity for employment of members of such families, to achieve greater uniformity of treatment of recipients under the Federal-State public assistance programs and to otherwise improve such programs; to the H. Ways and Means and S. Finance Committees. pp. H8934, S11719

SENATE

11. DISASTER. Received from the President a request for an amendment to the fiscal year 1970 budget, in the amount of \$125 million, for disaster relief; to the Appropriations Committee. p. S11719
12. DRAFT REFORM. Sen. Yarborough questioned validity of the draft call reductions announced by the Administration, and inserted an article critical of the Administration's actions. pp. S11727-8
13. CIVIL SERVICE RETIREMENT. Began debate on S. 2754, a bill relating ^{to} civil service retirement, and for other purposes. pp. S11789-97
14. TAX REFORM. Sen. Long inserted testimony given ^{before} the Finance Committee regarding the Tax Reform Bill of 1969. pp. 11735-39

managers of the bill and the other Senators who have labored so long on this legislation.

I have had recent opportunity to talk with Virginia miners—some of them victims of accidents, others of lung disease resulting from their occupation.

The Senate has taken a step today toward improving the conditions for safety in the mines and reducing the chances for contraction of pneumoconiosis by workers in the coal mines.

Mr. MANSFIELD. Mr. President, while I was unable to attend the opening sessions of the debate on this measure which is designed to up-date our coal mine industry and provide miners with long-needed protection, it was with great pleasure that I witnessed the highly thoughtful debate today. The overwhelming passage of this measure represents a splendid achievement for the miners of our Nation.

Much of the credit, I must say, belongs to the distinguished Senator from New Jersey (Mr. WILLIAMS). All of us appreciate the long hours he devoted to preparing this measure both in committee and while it was pending before the Senate. The high caliber of that preparation was exhibited in the wide acceptance of the proposal. We are grateful.

Our thanks go also to the distinguished senior Senator from New York (Mr. JAVITS) who joined constructively and with characteristic cooperation to assure this fine success. Other Senators played vital roles, as well. Noteworthy was the contribution of the distinguished Senators from West Virginia (Mr. RANDOLPH and Mr. BYRD). Representing a great mining State they understand well the grave problems of unsafe mines and mining operations. They contributed immensely to the discussion.

Of course, the distinguished senior Senator from Kentucky (Mr. COOPER) must be singled out for his contribution. Though his views differed to some extent with some features of the proposal, he urged his position with great advocacy and the deep sincerity which was always welcome. The same may be said for his colleague, the distinguished junior Senator from Kentucky (Mr. COOK). The Senator from Vermont (Mr. PROUTY) also deserves our gratitude for his contribution to the discussion and for co-operating to assure final disposition with such efficiency.

Finally, I wish to thank all Members of the Senate for their cooperation. I think each of us may take great pride in the passage of this measure. We have gone on record unequivocally in support of this great issue.

Mr. KENNEDY. Mr. President, I congratulate the Senator from New Jersey (Mr. WILLIAMS) for his outstanding leadership as he has led this important legislation through to passage today. His activities and the final result today, are very impressive. I commend, as well, the Senator from New York (Mr. JAVITS), the Senator from Kentucky (Mr. COOPER), the Senator from Vermont (Mr. PROUTY), and the Senators from West Virginia (Mr. RANDOLPH and Mr. BYRD).

CIVIL SERVICE RETIREMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 333, S. 2754.

The PRESIDING OFFICER. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (S. 2754) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

The PRESIDING OFFICER. Without objection, the Senate will proceed to its consideration.

Mr. MANSFIELD. Mr. President, with the concurrence of the distinguished chairman of the committee, I should like to yield at this time to the distinguished minority leader.

LEGISLATIVE PROGRAM

Mr. SCOTT. Mr. President, may I ask the distinguished majority leader what is the order of business from here on out? What is to be done on the pending measure, and what does the majority leader plan thereafter?

Mr. MANSFIELD. Mr. President, in response to the questions raised by my distinguished colleague, the minority leader, there is a hope—how good it is I do not know—that we might be able to finish the pending business tonight. Whether or not we finish it tonight or tomorrow, it will be followed by the John F. Kennedy Center bill, Calendar No. 316, and that, in turn, will be followed by the District of Columbia revenue bill, Calendar No. 427, and that in turn by S. 7, Calendar No. 346, the water pollution control bill.

It is anticipated that either tonight or tomorrow morning, we will bring up for reconsideration the Peace Corps measure, which I understand has been cleared all around.

That, to the best of my knowledge, is the situation as we see it.

Mr. SCOTT. I thank the distinguished majority leader.

CIVIL SERVICE RETIREMENT

The Senate resumed the consideration of the bill (S. 2754) to amend subchapter III of chapter 83 of title V, United States Code, relating to civil service retirement, and for other purposes.

Mr. McGEE. Mr. President, I sent to the desk amendments to the pending measure, S. 2754, and ask unanimous consent that the amendments be agreed to en bloc. These are perfecting amendments in language, or updating of dates, recommended by the administration, and have nothing to do with the substance or any controversial parts of the bill. I ask unanimous consent that they be agreed to en bloc.

The PRESIDING OFFICER. The clerk will state the amendments.

The assistant legislative clerk proceeded to read the amendments.

Mr. McGEE. Mr. President, I ask unanimous consent that further reading of the amendments be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered. The amendments will be printed in the RECORD.

The amendments are as follows:

On page 8, line 7, change the section designation from "Sec. 201." to "Sec. 201. (a)".

On page 8, line 12, strike out the words "period of" and insert in lieu thereof the word "total".

On page 8, line 12, insert the following new subsection "(b)":

"(b) Subsection (c) of section 8333 of title 5, United States Code, is amended to read as follows:

"(c) A Member or his survivor is eligible for an annuity under this subchapter only if the amounts named by section 8334 of title 5, United States Code, or under a comparable provision of any prior law, or who hereafter becomes entitled to receive annuity under the Act of May 29, 1930, as amended from and after February 28, 1948, shall be recomputed effective on such date, or computed from commencing date if later, in accordance with such amendment. No increase allowed and in force prior to such date shall be included in the computation or recomputation of any such annuity. This paragraph shall not operate to reduce any annuity."

On page 12, in lines 1 and 16, strike out the word "consecutive".

On page 14, beginning on line 6, strike out all down through line 14 and insert in lieu thereof the following:

"(2) The annuity of each surviving child who, immediately prior to the effective date of such amendment is receiving an annuity under section 8341 (e) of title 5, United States Code, or under a comparable provision of any prior law, or who hereafter becomes entitled to receive annuity under the Act of May 29, 1930, as amended from and after February 28, 1948, shall be recomputed effective on such date, or computed from commencing date if later, in accordance with such amendment. No increase allowed and in force prior to such date shall be included in the computation or recomputation of any such annuity. This paragraph shall not operate to reduce any annuity."

Mr. McGEE. Mr. President, the pending legislation relates to civil service retirement.

The PRESIDING OFFICER. The Chair would inquire of the Senator from Wyoming if he wishes that these amendments be agreed to prior to his presentation.

Mr. McGEE. If that is in order, Mr. President.

The PRESIDING OFFICER. Without objection, the amendments are agreed to en bloc.

The Senator from Wyoming may proceed.

Mr. McGEE. Mr. President, this legislation is a result of nearly 3 years of careful study and recommendation by the Committees on Post Office and Civil Service to enact legislation resolving the financial difficulties of the civil service retirement and disability fund and to make certain improvements in the benefits offered employees of the Federal Government through the retirement plan.

Each Senator has on his desk a copy of the public hearings which our Subcommittee on Retirement held on this legislation, as well as a copy of the committee report recommending enactment; so I will not dwell at length on the intricacies of the bill except to describe briefly the major purposes involved.

Title I relates to resolving the long-standing problem of adequately financing the civil service retirement system. Ever since its creation in 1920, the system has had a financial liability which was not properly funded. This was caused originally by permitting credit for all

civil service performed prior to August 1, 1920, and it has over the years accumulated a total unfunded liability of \$57.7 billion. It is "unfunded" because the amount of money collected from the employees and contributed by the Government, when invested at interest, will not pay the debt which the Government owes to all employees.

Let me point out that none of this liability results from any failure on the part of our civil service employees to pay their share. They have always paid whatever the law required, originally 2.5 percent of their gross salary, and now 6.5 percent of their gross salary.

The liability is solely the result of the Government's failure to live up to its part of the bargain. In the early years, no money was contributed by the Government to the fund. After 1928 the amount contributed was not sufficient to meet fully the future costs, and it was not until 1957 that Congress by law required agency contributions at a rate equal to the employee's contribution. So all that time, the fund lost earnings on money that would have been invested had it been contributed by the Government, and we call that the "lost interest on the unfunded liability." In addition, changes in the retirement law, statutory salary increases, inclusions of new groups of employees, and other liberal changes in the law create additional unfunded liability because no contribution is made to pay the cost of crediting past service.

Title I seeks to resolve this problem permanently. In the first place, the lost interest on the unfunded liability as well as the amount of annual annuity payments based on military service will be paid directly from the Treasury into the retirement fund. To soften the impact upon the budget, we will start at 10 percent and gradually move up to full payment over a 10-year period. By fiscal year 1980, the Treasury will pay directly to the fund approximately \$3 billion each year, and at that time the unfunded liability will cease to grow any larger on account of the loss of interest.

Second, title I authorizes the Congress to appropriate each year whatever amount of money is necessary to prevent an increase in the unfunded liability resulting from statutory changes in the retirement law or salary increases which affect the future liability of the fund. These payments would be amortized over a 30-year period at a level rate. At the end of 30 years, the payments would come to an end and because of the payments, the unfunded liability would not have increased.

That is title I in a nutshell. Our committee has worked for several years on this problem. The status of the fund has been a serious problem. We must act now to insure the future stability of the retirement program so that those who retire from the Federal service will never have their annuities jeopardized. The Bureau of the Budget, the Civil Service Commission, the House of Representatives Committee on Post Office and Civil Service, all of the members of the House Appropriations Subcommittee on Independent Offices, and the Senate Com-

mittee on Post Office and Civil Service endorse and support this remedy for the unfunded liability.

The requirement that the Treasury pay the annual cost of crediting military service for civil service retirement purposes was given our very careful consideration. The idea first arose some years ago when the then chairman of the Senate Committee, Senator Olin Johnston, recommended that the Department of Defense be required to reimburse the fund for the military service added to an employee's retirement credit. Our committee considered that proposal and we also considered charging the cost to the Veterans' Administration. But in the last analysis, we determined that the cost for military service should not be borne by any one agency of the Government. It is a benefit to those who have served in the Armed Forces, which is a general responsibility of the Government. Originally, Congress idea was to credit such service for men who had their career in the Federal civil service interrupted on account of war. Congress deemed that they should not lose retirement credit under such circumstances if they returned to the Government and retired on a civil service annuity. There are thousands of employees in those circumstances; but there are also thousands of employees whose career was military rather than civilian, and who retire after 30 years in the Army or the Navy, and come into the civil service. Subsequently, after 5 years' civilian service, they may be eligible to retire and have their entire military service credited toward civil service retirement if they give up their military retired pay, or if they were retired from the military on account of a combat-connected disability.

The result is that nonveteran employees pay a portion of their contribution for a retirement benefit which they do not receive and which in many cases will pay a retirement benefit to a retired officer or enlisted man who spent 20 or 25 or 30 years in the Armed Forces. I am sure my colleagues have heard a number of complaints from constituents concerning this particular quirk in the law. With that in mind, our committee recommends that the Government generally pay this cost, that it not be charged to the Army or the Navy or the Veterans' Administration or the retirement fund itself. As in the case of the interest on the unfunded liability, the impact of the payment would be softened by amortizing it over a 10-year period, beginning at about \$9.5 million and increasing to about \$195 million over a 10-year period.

Finally, Mr. President, title I increases the amount of contribution by employees and each agency of the Government. Presently, employees, including congressional employees, pay 6.5 percent of the gross annual pay into the retirement program, and each agency contributes 6.5 percent of its payroll into the system. Members of Congress pay 7.5 percent of their annual salary, and an equal amount is contributed by the appropriations available for congressional operations.

Under the new rate, each employee will contribute 7 percent of pay, effective

in January 1971, each congressional employee will contribute 7.5 percent, and each Member will contribute 8 percent. The total additional contribution into the system will be about \$240 million a year, based on next year's payroll. The total contribution will be 14 percent, and the total cost of the program after the effective date of the amendments in title II, will be 13.98 percent of payroll.

Title II makes certain very basic changes in the Civil Service Retirement Act to improve the system. Five of these were included in the bill which passed the House a couple of weeks ago:

First, changing the high 5 to the high 3 for computing civil service annuities;

Second, including accumulated sick leave as service for an employee who retires with sick leave to his credit;

Third, adding 1 percent to the cost-of-living adjustments for annuitants which are made from time to time on the basis of Consumer Price Index.

Fourth, permits the widow of a Federal employee who died or retired before the act of July 18, 1966, to remarry and continue to receive her annuity if she is past 60 years of age; and

Fifth, permits an employee of the Congress to receive the 2.5-percent computation formula for all years of service. He would pay an additional 1 percent for this improved formula.

In addition to these changes the Senate bill exempts up to \$3,000 of civil service annuity from Federal income taxation, and improves the survivor annuity protection for employees or disability-retired employees.

Some of these features are well known to all Members. Changing the high 5 to the high 3 is an effort to make more relevant the annuity which an employee receives in relation to the salary he was receiving at the time of his retirement. There is not anything magic about the high 5. It has been in the law for 39 years, and it is time to recognize that retirement annuities should be as closely related to the standard of living the employee was purchasing and enjoying at the time of his retirement as we can make them.

Adding sick leave to an employee's retirement credit resolves a very basic problem, because although employees are paid for their accumulated annual leave at the time of retirement, they give up all of their sick leave. One result is that employees tend to call in sick quite frequently in the last year or two before they retire. When an employee retires on disability, it is standard practice to use up all of his sick leave before leaving office. So the Government pays at full value for accumulated sick leave in many cases. In other cases, an employee who has enjoyed good health and good conscience gives up 2,000 hours or so of accumulated sick leave for which he receives no credit or compensation.

The additional 1-percent adjustment in annuities recognizes that our national productivity continues to increase, and that there is more to maintaining a reasonable standard of living after retirement than just chasing after the consumer price indicators.

The change in the retirement computation for the employees of the Congress

makes their retirement computation identical to that of Members of Congress—2.5 percent for congressional service, and 2.5 percent for up to 5 years of military service. For this they will pay an extra 1 percent each year.

The exclusion of up to \$3,000 of civil service annuities from Federal income taxation is a goal that retired civil service employees have sought for many years. It is just hard to explain to people back home that civil service annuities are taxed as ordinary income, while social security is tax free, railroad retirement is tax free, and income from investments on municipal bonds is tax free. That does not create a very good impression upon a retired civil service employee who is trying to get by on \$2,000 or \$3,000 a year and is paying taxes on it. This is an amendment to the Civil Service Retirement Act and is very similar, except for the dollar amount, to the bill, S. 2087, which I introduced on May 8, 1969, and which was referred to the Committee on Post Office and Civil Service.

This exclusion of up to \$3,000 would be in lieu of the retirement credit now provided by the Internal Revenue Code. Under that law, any pension or annuity payment which is not taxed must be subtracted from the retirement credit. The effect of our amendment, therefore, would be to replace the retirement credit for civil service annuitants only, thus giving them a tax benefit equal to the difference between the \$3,000 exclusion and the tax credit they now receive, which is now a maximum of \$228. The impact on revenue would not be substantial because retired employees past 65 who are married to a spouse past 65 have very little taxable income anyway.

Finally, the bill revises very substantially the survivor annuity benefits for a widow of a Federal employee who dies or who has retired on account of physical disability and thereafter dies.

Under existing law, the widow and children of an employee who has less than 5 years' service receives no benefit at all if her husband dies. If an employee has 5 years of service, his widow is entitled to a percentage of his earned annuity; and since civil service retirement is a system based on long service and average salary, the earned annuity of a young employee is very small. After 10 years, his earned annuity is just 16¼ percent of his average salary. After 20 years, it is just 36¼ percent of his average salary; and when you give the widow 55 percent of that, she will not get rich. The examples cited on pages 6 and 7 of the committee report indicate how drastic the financial impact of the death of a short-term employee is upon his wife and children.

For some time our committee has attempted to work out legislation acceptable to all to provide for a transfer of credit between civil service retirement and social security. Nothing acceptable has been developed. We shall continue that effort, but in the meantime, we must resolve the problem for the survivors now. Our bill does this, and I think it is a most significant improvement in the retirement program.

The amendments provide that when an employee dies after completing 18 months' service under the Civil Service Retirement Act, he has a vested annuity for survivor annuity purposes only. His widow is entitled to at least 55 percent of 40 percent of his average salary or 55 percent of his annuity projected to age 60, whichever is less; and his children would be entitled to the lesser of \$900, 60 percent of his average salary divided by the number of children, or \$2,700 divided by the number of children. The effect of our amendments are to make very substantial improvements in the survivor annuity protection offered an employee who has at least 18 months' service, but not more than 22 years of service. This is where the retirement program for civil service employees is now gravely deficient and that is where we have aimed our corrections.

The cost of the bill as reported from the committee is about \$205 million in direct transfer from the Treasury to the civil service retirement fund in the coming fiscal year, that is fiscal year 1971. The normal cost of the system is increased by about one-fifth of 1 percent of Federal payroll. One percent of Federal payroll was about \$22 billion as of June 30, so the extra cost which, of course, will be fully paid for under the financing portion of the bill is \$44 million a year. That is \$2 million a year less than the provision of the bill passed by the House of Representatives. The difference relates primarily to changing the method of financing military service credit.

The unfunded liability of the system would be increased by \$1.4 billion as a result of the liberalizations in title II, but the overall liability of the fund would be reduced because of the direct Treasury funding for military service credit. The net result would be a decrease in the liability of the fund of about \$3.3 billion.

Mr. FONG. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. FONG. Mr. President, I congratulate the distinguished Senator from Wyoming for his leadership in bringing to the Senate this very constructive bill. This bill really stabilizes, for the first time, the retirement system and assures that our civil service employees will be paid in the future. It also adds a few changes to the law that are very desirable.

Mr. President, the Civil Service Retirement Amendments of 1969, contained in S. 2754 and presently under debate, contains critical and very necessary changes in the U.S. civil service retirement system and fund. The bill was reported out unanimously by the Senate Committee on Post Office and Civil Service.

I strongly urge my Senate colleagues to approve the proposed legislation.

For 22 years the U.S. Civil Service Commission has urged Congress to approve legislation eliminating or stabilizing the Federal retirement fund's unfunded liability. The Senate report on S. 2754 explains in detail the reasons for

this huge deficit, now totaling \$61,000,000,000, and the committee's proposal to correct the present intolerable situation which if allowed to continue will bankrupt the Federal retirement fund in 18 years.

The Federal retirement fund was established in 1920 to provide retirement income for all Federal employees. The initial employee contribution of 2½ percent was to be matched by Federal Government contribution of an equal amount. The 2½ percent employee-agency contribution was increased periodically until in 1956 the present 6½-percent contribution rate became effective. During the entire history of the Federal retirement system, all Federal employee contributions have been paid in full and have approximated one-half the normal cost.

In contrast to the specific requirements for employee contributions, the act, prior to 1958, stated in effect that the Federal Government's share would be financed by the submission of appropriation estimates to Congress necessary to finance the system and to continue the act in full force and effect. As a result, a number of different methods were employed over the 48 years the plan has been in existence to take care of the Government's contributions.

During the first 8 years of the plan, no agency appropriations were enacted and benefit disbursements were financed entirely by employee contributions. From 1929 to the end of World War II, although Government contributions were generally recommended by the President in amounts sufficient to cover normal costs and to amortize the unfunded liability then existing, the amounts actually appropriated varied. Congress enacted lower appropriations than those recommended by the President on five occasions, higher amounts twice, and on one occasion approved the full amount requested by the President in his budget.

In 1958, the present funding procedures were enacted. Under it, each Federal agency contributes to the fund from its appropriations for payment of salaries, amounts equal to deductions from the salaries of its employees for retirement at the rate of 6½ percent. This achieved the objective of assuring annual income approximating normal cost. However, these contributions failed to meet fully the Government's portion of retirement costs because it did nothing to reduce the unfunded liability caused by insufficient appropriations in previous years.

A review of the system shows that the major causes for the present unfunded liability of approximately \$61 billion have been: First, creditable service for which neither the employee nor the employer contributed, such as military service creditable for civilian retirement; second, general wage increases which result in benefits based on a higher pattern of salaries than that upon which at least a portion of contributions is based; third, liberalizations applying to benefits based on past and/or future service without a commensurate increase in contributions; and fourth, loss of compounded interest

income which would have been earned if the accrued liability had been fully funded.

Because employee contributions during the 1930's and 1940's exceeded benefit payments, the potential impact of an unfunded liability was obscured. However, with stabilized employment, inadequate employer contributions and increased benefit payments, the annual trust fund revenues within the foreseeable future would be unable to meet benefit payments.

Under the present funding practices the assets of the fund which presently total \$20,500,000,000 will increase to \$23 billion in 1975 while the deficiency will simultaneously approach \$80 billion. In 1975 the disbursements will begin to exceed the annual income of \$3.8 billion. Thereafter, disbursements will continue to escalate over a relatively static income and will result in a declining fund balance. At that time, in order to meet benefit payments, all disbursements in excess of current income will have to come from the fund balance. Without additional funding, that balance will be depleted by 1987.

Thereafter, disbursements will exceed income by \$3,500,000,000 and will require direct appropriations to meet benefit payments. By year 2000, the necessary direct annual appropriations would approach \$5,000,000,000. This would be in addition to the approximate \$3,000,000,000 employee-agency contributions.

PROPOSED NEW FUNDING PROCEDURE

Under the provisions of S. 2754, the normal cost financing of equal employee-agency contributions would be retained. Normal cost in this sense is defined as that level percentage of annual employee pay which, invested at interest, is required to cover the costs of benefits earned each year starting for each employee at the time of appointment.

The present inadequate contributions and the normal cost financing of the combined contribution rate from 13 to 14 percent of payroll—7 percent each from employee and agency, effective January 1970. The congressional employee rate of 6½ percent would be increased to 7½ percent, and Members of Congress would contribute an additional one-half percent, to 8 percent.

The present normal cost of present benefits is equivalent to 13.86 percent of civilian payroll for the Federal Government. The increased benefits plus the modified reimbursement procedure for military service credit contained in the bill would increase the cost coverage by 0.12 percent, for a total of 13.98 percent of current payroll. The result is an over-financing of slightly less than .02 percent of payroll.

Although the system's unfunded liability has grown to \$61 billion in 1969, and can be attributed to numerous liberalizations of benefits, recurring salary increases, and several automatic cost-of-living adjustments to annuities, the major growth of the unfunded liability is attributable to the loss of interest on the unfunded liability. This approximates \$2 billion each year.

The bill would eliminate this loss by providing for direct appropriations of

this interest. However, for the first year the Secretary of the Treasury would transfer to the retirement fund a sum equivalent to 10 percent of the interest on the then-existing unfunded liability; and thereafter an additional 10 percent for each successive fiscal year until 1980. After 1980, the amount transferred annually will be the equivalent of the full interest thereon.

This formula, though not reducing the unfunded liability, will provide the interest to make the fund operationally solvent. This is the thrust of title I of the bill.

Should future incremental unfunded liabilities result from benefit liberalizations, general salary increases, extension of coverage to new groups of employees, or newly authorized annuity increases, they would be fully financed by the Federal Government through direct appropriations to the fund, in equal annual installments, over 30-year periods. The Government would assume full responsibility for additional deficiencies thus created, and, by amortization, preclude further increases in the unfunded liability.

Title II of the bill makes certain liberalizations in the Federal Retirement Act. It would: use "high 3" instead of "high 5" for computing civil service annuities; permit adding sick leave accumulated at the time of retirement to the period used in computing annuities; add 1 percent to cost-of-living increases for annuities; make the remarriage provisions of the 1966 Amendments to the Federal Retirement Act partly retroactive; improve survivor benefits for employees and retired disabled employees who die in service or after disability retirement; exempt up to \$3,000 of civil service retirement annuity from Federal income taxation; and permit congressional employees to receive 2½ percent credit for all years of congressional employment in computing their annuities rather than limiting congressional service credit to 15 years.

Both the House and the Senate Committees on Post Office and Civil Service have labored hard on this legislation in an attempt to find the best solution to the critical problems which face the Federal retirement system.

The matter of correcting the funding deficiency of the Federal retirement system must be faced by Congress now. We sincerely believe that we have found a good solution. We have also written into S. 2754 some much needed benefits, but at the same time we have held the cost down below the amounts to be contributed by the employees and their employing agencies. Under the bill the benefits of the entire fund will still be .02 points under the 14 percent of payroll contributions.

I strongly urge favorable action on this measure.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. McGEE. I am glad to yield to the distinguished Senator from Florida.

Mr. HOLLAND. I am not clear as to the exemption of \$3,000 of retirement pay from the provisions of the Federal income tax. I assume that that means

an overall amount of \$3,000 and not \$3,000 per year.

Mr. McGEE. No; this would be from income in a given year.

Mr. HOLLAND. Does the Senator mean \$3,000 in every year would be exempted?

Mr. McGEE. Would be exempted from the income tax; yes.

Mr. HOLLAND. The bill is not clear on that. It does not say that this exemption takes effect every year. It appears from the way the bill reads—at least to this Senator—that it is an overall, one-time exemption.

Mr. McGEE. I am having the staff check the language in the bill, and then I will respond to the Senator.

Mr. HOLLAND. My second question on the same point, which I think the Senator can answer while that is being checked, is this: Does this provision affect the provision of the present law under which there is exempt from income tax the full amount that any Member of Congress has paid in up to the time that that amount is fully paid?

Mr. McGEE. It does not affect that existing provision so far as Congress is concerned.

Mr. HOLLAND. The \$3,000-per-year exemption, or whatever it is, does not apply to Members, then, but only to civil service retirees?

Mr. McGEE. The first \$3,000 applies to all.

Mr. HOLLAND. Does this mean that retired Members of Congress get not only the right to receive everything they have paid in—which, of course, is a very large amount and figured over a large number of years—but also \$3,000 a year?

Mr. McGEE. No. As I understand the Senator's point, if I understand it correctly, he still is entitled to all his entitlements in what he has paid in, that this only would obtain to his calculations on paying an income tax annually, and that he would be exempted from the first \$3,000 of obligations in the tax computation.

Mr. HOLLAND. Let me state it in a hypothetical way: Suppose a retiring Member of Congress had paid in \$10,000 to the retirement fund. Under present law—at least as the Senator from Florida understands it—up to the time his retirement pay had equaled \$10,000, he would have no income tax to pay, because, in effect, it would simply be a repayment of savings accumulating to his account. Do I correctly understand that this would still be the case under the proposed legislation?

Mr. McGEE. The Senator's understanding is correct.

Mr. HOLLAND. How does the \$3,000, then, come into the figure?

Mr. McGEE. It comes in after that point.

Mr. HOLLAND. Does it mean that the \$3,000 is a supplement to the return of the \$10,000 or that it is not applicable during the time the \$10,000 is being repaid, or just how does it apply?

Mr. McGEE. The \$10,000 figure the Senator is using is regaining capital. This is a \$3,000 exemption on income.

Mr. HOLLAND. Then, this would be in addition to the return of the \$10,000 saved?

Mr. McGEE. Yes. The \$10,000 capital would be unaffected.

Mr. HOLLAND. One would get back the \$10,000 he had paid in, and, in addition to that, in each year he would be entitled to a \$3,000 exemption?

Mr. McGEE. Exemption; correct.

Mr. HOLLAND. What is the philosophy behind that, may I ask the distinguished Senator?

Mr. McGEE. The basic reason for that was that most of the annuitants are not confronted with that situation, and this was aimed at protecting the across-the-board annuitants who are in a very low income retirement fund category.

Mr. HOLLAND. Is the Senator suggesting that the able committee was seeking to discourage Members of the House and the Senate from staying here for many years?

Mr. McGEE. To my knowledge, the committee never entertained such a thought.

Mr. HOLLAND. I thank the Senator for that clear statement in the RECORD.

Mr. McGEE. May I respond to the Senator's earlier question in regard to the language in the bill and what it means.

On page 13, in subsection (f) of section 207—

Mr. HOLLAND. Is the Senator referring now to the bill or to the report?

Mr. McGEE. To the bill.

The thrust of the exemption allowance puts it on an identical basis with the Social Security and the Railroad Retirement Acts at the present time.

On page 13, the language reads:

An amount, not to exceed \$3,000 each year which is received by an annuitant or a survivor annuitant under this subchapter . . . which would be included as gross income for purposes of the Federal income tax laws, shall not be included as gross income under such laws.

Would the Senator feel that that would remove the uncertainty?

Mr. HOLLAND. I think it would remove the uncertainty, but it would make the \$3,000 not applicable to retirees who would have to receive \$10,000 or \$20,000, or even more, before they got back what they had put in. Apparently, this \$3,000 does not begin to apply at all until one has received back his entire contribution to the fund.

Mr. McGEE. The income tax law itself, I understand, separates the income capital from the exemption category.

Mr. HOLLAND. I thank the Senator. I believe we have it reasonably clear now. In other words, if a retiree were entitled to receive, let us say, \$20,000 a year, having been here a good while, he could set off that first year the \$10,000 that he had contributed, if that was the amount, and, in addition, claim an exemption of \$3,000 as against the remaining part of the income which would be gross taxable income.

Mr. McGEE. Yes, that is my understanding of it.

Mr. HOLLAND. I think that is a clear explanation. Whether that approach is justified, is another thing.

I hope the Senator will make very clear what is implied, because I do not believe that Congress is trying to increase its rights as above what it had before, in the passage of this measure.

Mr. McGEE. No. The intent was to try to keep it as simple as we could and yet take care of the typical annuitant, who is generally in the \$3,000, \$4,000, or \$5,000 category, which leaves him a very minimal sum.

Mr. HOLLAND. I say again that the Senator is suggesting that the Members of the Senate and the House stay here a very short period.

Mr. FONG. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. FONG. The reason for the \$3,000 exemption is that if one is a social security retiree, all the amount he receives as a social security beneficiary is not taxable. People who work for the Federal Government are not under social security but do receive a retirement income, and we feel that the \$3,000 is the equivalent amount that the people under social security are getting.

Mr. HOLLAND. The theory of the social security law is that the citizens have paid for insurance and they are getting payments because they have paid for insurance.

Mr. FONG. This will be the same.

Mr. HOLLAND. That is not true in this case, though. The Members of Congress pay on a portion of their retirement. They pay, as I recall it, half of the pool. They have been paying 7 percent each year for a long time—I do not remember how long—and that amounts to a very considerable sum. But the Federal Government pays an equal amount, as I recall.

Mr. FONG. The same is true with respect to the individual. The employer pays half and the employee pays the other half.

Mr. HOLLAND. Perhaps I was thinking about the matter solely from the standpoint of the self-employed person, because that has been my own situation, except for membership in the Senate; and, of course, there is no employer to pay the other half when a person is self-employed.

Mr. McGEE. That is correct. Here our real concern was the 9 million-plus annuitants that we felt had long since merited this kind of exemption in order to keep it equitable for them.

Mr. HOLLAND. From a quick reading of the report and several sections of the bill applying thereto it is made clear there is no change in the existing law as to the way surviving widows are affected. Am I correct in that?

Mr. McGEE. There is a small change in the way surviving widows are affected. It enables them to keep their annuities if they remarry, provided they are over 60 years of age.

Mr. HOLLAND. I am not speaking of that. I am speaking particularly of Members, because of the impression that Members would be particularly concerned with this point. My understanding is, leaving aside the question of remarriage which the Senator mentioned,

there is no change whatever in the right of a surviving widow.

Mr. McGEE. There is no improved benefit. Surviving widows would still be affected by the 1-percent addition on the cost-of-living index.

Mr. HOLLAND. That is the 1-percent addition for every 3-percent upping of the consumer price index.

Mr. McGEE. The Senator is correct.

Mr. HOLLAND. I think it is a good provision. I congratulate the committee for having added it. I think most of the bill is good; maybe all of it is good.

Mr. McGEE. The Senator from Florida has been very helpful.

(At this point, Mr. SPONG assumed the chair.)

Mr. HARTKE. Mr. President, will the Senator yield?

Mr. McGEE. I have told the Senator from Delaware I will yield to him.

Mr. President, I yield briefly to the Senator from Indiana.

Mr. HARTKE. Mr. President, first I wish to congratulate the distinguished Senator from Wyoming for his leadership in this field. It has been my privilege so serve as the chairman of the subcommittee and to hold hearings on this measure.

The question raised by the Senator from Florida concerning taxation points out a deepening crisis that exists in the entire field of caring for the aged. I did not think this bill is the answer as far as the problems of these people are concerned. In many cases we have a combination of circumstances surrounding former employees which is rather tragic.

They have never been able to achieve comparability with people in private industry, so that even by taking the high 3 years instead of the high 5 years they are being told they will be paid a percentage on reduced capability that they would have had in the field of private employment. There should not be any penalty for anyone who serves in the Government. I know many people seem to attach an undesirable stigma to people who work for the Government. I find that most people who work for the Government are sincere people. They want to provide service, and they would like to be treated on a comparable basis, not only while they are working, but after they retire.

Anyone who studies the actual amount of money that will be provided under this bill will be shocked because it comes pretty close to the poverty level. This is a problem the country will have to face up to soon. We have two circumstances combining. First, because of the better health of the Nation we have people living longer than they used to; and, second, the increase in cost for people after retirement is frequently the total cost for them to take care of themselves. Frequently people in retirement do not have anyone around to take care of their ordinary affairs. They may have to hire people to care for them and to take them places. The person in retirement usually cannot drive a car any longer. My statement with respect to costs is especially true in the field of medical treatment and drugs.

This is a problem which is very acute in the Nation and affects all the aging. The situation is compounded for the civil service employee so I really feel that in this case we are not righting a wrong; we are correcting some of the inequities, but we have much farther to go.

I hope we will not be content to say that the Committee on Post Office and Civil Service considers this to be the answer to the problem. The answer lies beyond.

This is not a problem which is special to the Government, but I think the Government has a responsibility. Certainly, when people retire it should not be the first time in their lives that they are poor. Unfortunately in America today many old people are saying for the first time, "I did not become poor until I became 65." Mr. President, that is tragic, indeed.

I hope we pass the bill quickly and then go about the business of trying to determine what we are going to do about the acute problem of the aging.

Mr. McGEE. Mr. President, the Senator's point is well taken and no one speaks with greater perception and depth of understanding than the Senator from Indiana. The Senator has spent a great many years with this problem, and the thrust of his comments just now have been that this is not the place where we stop. This is only another of the steps we are taking, and that should have been taken in many cases long ago. But at least we are finally moving in this direction. I agree with the Senator.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. McGEE. I am glad to yield to the Senator from Florida.

Mr. HOLLAND. Mr. President, I am glad this entire discussion has come up. I certainly appreciate the comments of the Senator from Indiana. I doubt if the average citizen knows right now that each Member of the House and Senate is paying \$3,000 on his retirement fund out of each year's earnings besides the full income tax which everybody pays, subject only to a \$3,000 allowance for living in Washington, which cost most of us nearly \$10,000.

I think it is good for these matters to be placed in the RECORD because they more clearly explain the situation.

The next thing I would like to say is I think there is another fact not generally known to our people and that is that workers on the Hill, for Congress, are not in the same situation as civil service workers in that when their Senator or House Member is defeated, their jobs stop the day he goes out of office. There is no right to stay on and there is no vested right to remain, as there is in civil service. I think employees of Congress are thoroughly entitled to be regarded as in a different classification. They are placed in a different classification under the present law and would be by this law. I am glad they are. Of course, they pay a little bit more for the protection they get and under this bill this practice would continue. But it is well for the RECORD to show that employees of Congress are not in the favored protected and secure position that civil service

workers are. I believe that is shown by this bill and the different treatment accorded for the different groups of employees.

I thank and congratulate the Senator. Mr. YARBOROUGH. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. YARBOROUGH. Mr. President, as a member of the Committee on Post Office and Civil Service, who served on that committee longer than any other Member of the Senate, I congratulate our chairman, the distinguished senior Senator from Wyoming, for the great care he has taken with the bill, for the diligence with which he attended all hearings, and his work in bringing the measure to the floor of the Senate. I commend him on the bill.

There is one provision in particular that I desire to mention and that is the provision for crediting Federal employees for unused sick leave time.

I introduced that measure in Congress after Congress. We were unable to move it. I hope that it is passed some time. In some respects this provision is more generous than my proposal.

The provision for unused sick leave, I think, is for the benefit of the Federal Government. Figures show that of Federal employees who work for 30 years, one-half use up all the accumulated sick leave and one-half end up with about 44 days in unused sick leave. The able, efficient, and experienced employee works for years and years and does not use any sick leave time. The Government profits on those employees who work year after year and do not use their sick leave because those employees get no credit. These people have worked faithfully and they do not take sick leave and, therefore, they lose 44 days when they retire. When there is an experienced employee who takes a couple of weeks off for sick leave and his substitute is brought in there is a general loss—we had testimony on that year after year—by losing 2 weeks' time of the most efficient employee. This is the experience of private business in America. This is going to make money for the Federal Government.

I congratulate the chairman of the committee on having that provision in the bill.

I want to associate myself with the remarks of the distinguished Senator from Florida. In talking to people in my State, I find that they have no concept of the fact that our payments for retirement are more than \$300 a month. They have heard something about Federal judges, which they get from the lawyers and other laymen, that a Federal judge pays nothing into his retirement system and that after 5 years of service, if he is at the proper age, he can retire at full pay.

I do not think that the service of a judge is so much more patriotic, more arduous, and more difficult, that we should have to vote ourselves a harsh retirement system and vote for them such a generous retirement system. But that is a fact.

I want people to know that whereas a judge pays nothing into his retirement

fund and after 5 years of service, if he is old enough, he can retire on full pay, we must pay \$3,400 a year into the fund, which gives us only 2½ percent of credit for a year's service. When we compute that in with other deductions and limitations, we can take the year's service and it adds up that we will not get that 2½-percent credit in our retirement. If one should pass away, then his widow will draw only one-half the pension, which will not be 2½ times the number of years served. In other words, this is a limited retirement compared to retirement either in Federal service or outside of it.

Mr. President, as the able Senator from Florida has pointed out, it is well for people to know that Senators are also having income tax deductions taken from their checks, just as the rest of American workers do. Many people think that somehow or other we enjoy some free largesse here, that we get things tax free. I think it is well to have that in the RECORD, too, that our income tax payments come out of our salary checks, and they are heavy, with hundreds of dollars taken out every month for retirement, and hundreds of dollars taken out for income tax, so that the take-home pay of every Member of Congress is reduced drastically from what a person might imagine it is from the gross amount we get.

Mr. President, S. 2754 is a measure which is badly needed. I am hopeful that the Senate will not only pass this bill today but that we would do so without amendment.

This measure has a particularly fond place in my legislative heart for, aside from its basic provision and many financial reforms, it also provides a formula for the addition of unused sick leave to actual length of service in computing annuities. This provision is not as extensive as my own unused sick leave bill, S. 1276, but it is a big step in the right direction. I have fought for this principle for some 6 years now since I introduced my first bill on the subject in 1963, and I am very pleased that we were able to include this principle in this vital legislation.

As has been stated, the basic thrust of S. 2754 is toward financial reform of the system. The financing of the civil service retirement program has been an obvious and continuing problem for a number of years. For years the reports of the actuary have been grim forecasts of impending financial disaster, each succeeding report being more pessimistic than the preceding. For example, in 1958 the unfunded liability of the program was estimated to be about \$18.1 billion and over the years the estimates have risen so that it is now about \$57.7 billion. Current forecasts are that the civil service retirement fund will have a zero balance in about 18 years if no changes are made in the benefits provided or the financing.

Though these financing reforms are generally supported, it cannot be said that the bill is without controversial features. It is a matter of record that the administration is in general agreement with the financing provisions but

objects to the benefit improvements which would be provided.

For my part, I believe that the extensive study that has gone into the preparation of the bill indicates that it would provide adequate income to pay for all presently scheduled benefits and an orderly method of financing future benefits.

In addition to the "high-3-year average" formula for computing annuities, a provision of the original bill, Senator McGEE and the full Post Office and Civil Service Committee have added three amendments that are the basic difference between the House and Senate bills. I strongly urge the retention of these amendments in the final bill.

One of these amendments would create a vested survivor right after 18 months' service rather than the 5 years now required. Another would exempt up to \$3,000 of an annuity from Federal taxation. In effect, both these amendments merely extend to Federal employees rights now enjoyed by social security recipients.

The third McGee amendment would require an annual payment to the retirement fund to cover the costs of extending credit for military service in figuring the final annuity. The military service credit was the idea of the Congress and the cost should not be charged to the fund as a whole. This amendment would rectify this previous oversight.

Upon extensive examination of this measure and a careful study of the problems it is designed to meet, your Committee on Post Office and Civil Service reported S. 2754 unanimously. I urge the Senate to give S. 2754 a similar vote of confidence today.

Mr. President, with this retirement matter coming up year after year, with different provisions in it, I must commend the able Senator from Wyoming for a very skillful job in combining in this bill the many things in our Federal retirement system which need correcting.

As the Senator from Indiana said, it is not perfect. It is difficult to get a perfect bill with all differences of opinion ironed out. But this is a very splendid piece of work and the Senator from Wyoming is entitled to great credit for bringing such a bill to the floor of the Senate.

Mr. McGEE. Mr. President, I want to thank my friend from Texas for his kind comments and would say to him that I always stand very humbly at a time like this, remembering how very much he contributed to the thinking on the bill which reflected the effective way which his years of seniority on the committee made it possible to serve as guidance.

My chairmanship on the committee is the consequence of some of the flukes in our committee system. But it does represent a responsibility, nonetheless. Without men like the Senator from Texas, the Senator from Indiana, the Senator from Utah, the ranking minority member, the Senator from Hawaii, and the Senator from Delaware, we would, I think, have gone off on many occasions in different directions that might not always have turned out to be the wisest ones.

It is the combined vigilance on the part of members of the committee which has made it possible to arrive at what I think is substantially a sound piece of legislation.

Mr. YARBOROUGH. The distinguished Senator from Wyoming just said that he is chairman of the committee by what might be called one of the flukes in our committee system.

Let me say that if his chairmanship is a fluke, then it is one of the luckiest flukes the Senate has had happen to it in a long time.

Mr. McGEE. I thank the Senator from Texas.

Mr. President, I have said all I can say at this time and, therefore, I yield the floor.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. WILLIAMS of Delaware. Mr. President, I want to agree with the chairman, the Senator from Wyoming (Mr. McGEE), on one point; and that is, that title I is long overdue recognition of the insolvency of the civil service retirement fund. Title I provides a method for reimbursing the fund and placing it in a more solvent position.

Mr. President, there are some questions in title II on which I raise questions, particularly the one mentioned by the Senator from Florida. He referred to section 207 on page 18 regarding the \$3,000 special tax exemption, or an amount not to exceed \$3,000 each year for the annuitant. The bill states that this extra \$3,000 will be excluded from the gross income, and it amends section 8355 of title 5 of the United States Code. Under existing law the Treasury Department allows credit for the amount of the pension that represents a return on the payments made by the employee and the other is treated as income.

That is approximately the formula under which it has been taxed heretofore.

As is pointed out, when an employee has recovered all of his original payments to the fund the remainder now is taxable income.

It is interesting to note that this \$3,000 special exemption has no effect, as I see it, on a married couple drawing a pension of \$5,000 or \$6,000 a year. It really does not begin to take effect until the pension has crossed the \$6,000 annual figure. Let us face it, this is not a tax break for the low-income employee.

What disturbs me is not so much the question of whether the \$3,000 exemption should be approved but rather why it does not apply to all retirees, whether they be in private industry or government service. Why give a \$3,000 extra tax exemption on retirement income to just Federal employees? I think that all American citizens who are living on retirement are in the same category and are therefore entitled to the same kind of treatment.

True, retirement payments are exempt under social security, but the social security fund is financed by the employee and the employer—one-half is taken out of his paycheck, and the other half is paid by the employer. But the employer figures that as part of his wage. It is

deferring the income. Social security has a much lower formula for computing benefits than it is under this more favorable formula of civil service.

I think there should be a question in the minds of all of us when considering changing the revenue code, can the Government afford to give this \$3,000 retirement exemption on pensions? If it can then the next question is, should it be made available to employees of the U.S. Government only, or should the tax break be made available to all taxpayers in America?

Mr. President, I do not think it can be justified to single out the employees of the U.S. Government, whether we be Members of Congress or serving in some other capacity, for a special tax exemption that is not extended to all other retired American citizens.

For that reason I think that if this is going to be considered it should be considered as an amendment to the tax revenue bill which will come before the Senate later this year. As a part of that bill Congress can consider how far we reduce the tax for all pension funds. Let us be sure that all the people will be treated alike, and let us not establish a special group of tax-exempt citizens by virtue of their having been employed by the U.S. Government.

Another point is that—

Mr. McGEE. Mr. President, will the Senator let me respond to that question?

Mr. WILLIAMS of Delaware. I will in just a moment.

Mr. McGEE. Oh, I thought the Senator asked a question. Excuse me.

Mr. WILLIAMS of Delaware. We have on the Senate calendar, a tax bill which has long been deferred and which proposes to lower taxes for those in the so-called poverty or low-income groups. That bill has not been acted upon. If it were it would to a large extent reduce the need for the bill we have before us now.

Any tax reduction that is approved by the Senate should apply equally to all taxpayers and not to a select group, which happens to include Members of Congress.

Another point I wish to make is that the tax reduction proposal in section 207 is to amend the Revenue Code in a Senate bill, a procedure which heretofore the Senate has not recognized as being proper. The Revenue Code can be amended only by a bill that has come from the House or by amendments offered thereto in the Senate. That is the customary procedure. Let the Ways and Means Committee of the House or the Finance Committee of the Senate consider the merits of the proposal and relate it to all the other taxpayers.

For that reason, I suggest that it would be wise to strike section 207 from the bill and let it be considered in the regular tax bill later.

Mr. President, I wish to make a point of order that section 207 is an amendment to the Revenue Code, as attached to the Senate bill, which is not in order under our rules.

Mr. McGEE. Mr. President, if it is permissible, am I in order to respond to the

point raised by the Senator from Delaware?

Mr. WILLIAMS of Delaware. Mr. President, I will withhold it.

The PRESIDING OFFICER. Will the Senator from Delaware withhold his point of order?

Mr. WILLIAMS of Delaware. I will withhold it, yes.

Mr. McGEE. Mr. President, the Senator raises several good points here. I would like, as best I can recollect them now, respond to them as they appear to me.

I think the Senator is so right that here we have a special group that has been kind of "selected out" for this package—Federal employees—but I think it is important to remember that they were "selected out" long ago and denied that \$3,000 allowance while social security annuitants were getting it and while Railroad Retirement annuitants were getting it. That is the kind of selectivity we have witnessed here in the program. So I think there is a second side to the coin in who is playing favorites.

I agree that there is great merit in having a uniform application of this provision to all retirees, but the jurisdiction of this committee is over civil service retirees. We did not pretend to try to tell the income tax service how to administer the law. We did not intend to invade some other committee's jurisdiction. Our intent was to live up to our responsibility, and that was to address ourselves to the problem of Federal civil service annuities in this particular instance in the bill, in section 207, on page 13, which amends section 8345 of title 5 of the United States Code. This is the Civil Service Retirement Act. It is not the Internal Revenue Code. We believe, therefore, it is still very much in order.

Finally, I would suggest that a year ago, or earlier this year, when a bill that I introduced provided for this very specific allowance—S. 2087—the bill was referred to the Senate Committee on Post Office and Civil Service. And because of the jurisdiction and concern of that committee over civil service annuities, I would have to take issue with my friend from Delaware in regard to the legitimacy of a point of order's being sustained. The Finance Committee has jurisdiction over tax matters. The House can originate revenue bills. But we believe this to be in the civil service annuity category and properly within the jurisdiction of the Committee on Post Office and Civil Service.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. WILLIAMS of Delaware. Perhaps I do not understand the English language. I will ask the Senator this question: Is not the purpose of this section 207 to exempt from Federal income taxes \$3,000 of annuitants' pensions?

Mr. McGEE. The purpose of this provision is to try to make it possible for an annuitant to survive on the basis of his annuity.

Mr. WILLIAMS of Delaware. Is not the purpose of this provision to exempt from Federal income taxes the first \$3,000 of an annuitant's pension? Is not

the purpose of the section to exempt the Federal employee from taxes on \$3,000 of his pension?

Mr. McGEE. From the first \$3,000.

Mr. WILLIAMS of Delaware. Of taxes?

Mr. McGEE. Yes.

Mr. WILLIAMS of Delaware. So that makes it a tax bill.

Mr. McGEE. If the Senator will permit me to quote the English language, that is quite a jump in adding that up to a tax bill.

Mr. WILLIAMS of Delaware. It is quite a jump, and it is a benefit that is not extended to any other group—

Mr. McGEE. I mean the Senator's conclusion that it is a tax.

Mr. WILLIAMS of Delaware. On September 4, 1969, the Senator's committee was served notice by the chairman of the Finance Committee (Mr. LONG), and I refer the Senator to the remarks of the Senator from Louisiana appearing on page S10143, wherein the Senator from Louisiana points out how it would amend the Revenue Code and raises a question of jurisdiction.

Today before the Finance Committee we had testimony on this very proposal, based on an amendment introduced by the Senator from Connecticut (Mr. RIBICOFF). His amendment deals with this matter in a broad way, which would affect not only Government employees but all annuitants, including private industry as well. We had testimony on that point before our committee today.

What I am saying, without debating the merits or demerits of this proposal, is that I think whatever we do should be done for all retirees who are living on pensions. I am merely suggesting that we should wait until we get the tax bill, and then whatever we do we treat all taxpayers alike.

When the Senator from Wyoming has finished his statement I will renew my point of order because there is no question that the purpose of this provision is to exempt from Federal income taxes the first \$3,000 of pensions of civil service annuitants.

Mr. McGEE. Mr. President, may I say to my distinguished colleague from Delaware that we were not aware that there had been any great move in the Finance Committee to concern themselves with civil service annuitants or their annuities. I think that is understandable because that matter belongs in the Committee on Post Office and Civil Service.

The staff advises me that the Internal Revenue Code of 1954 contains a provision—I believe sponsored by my colleague from Delaware—to the effect that part-time postal employees cannot attach that to their civil service status.

I think this is a case of looking at both sides of the coin. I would suppose that was subject to some kind of point of order, since it would reflect invading the jurisdiction of the Committee on Post Office and Civil Service. But that really should not be the issue of a point of order here. The issue ought to be whether this is a correct procedure, with the Post Office and Civil Service Committee having jurisdiction.

In view of the absence of any real ef-

fort anywhere else to look into the interests of our civil service annuitants, and because of the precedent set by the Senator himself in adding to the Internal Revenue Code of 1954 a provision that influenced civil service directly, without having to do with the income tax element, it would seem to me that this factor also should be weighed on the scale of decisionmaking in terms of his point of order.

Mr. WILLIAMS of Delaware. When the Senator says the Finance Committee is not concerned with the civil service employees I remind him that the Ribicoff amendment deals with the pensions of all annuitants, including private industry as well as civil service employees. It does not single out one special group for recognition; it deals with all of them, just as all other tax bills should do.

Mr. President, I renew my point of order against section 207, as appearing on page 13 of the bill, on the basis that it is an amendment to the Internal Revenue Code in a Senate bill.

The PRESIDING OFFICER. In response to the Senator from Delaware, the Chair would say that his point of order raises a constitutional question, and that the Chair has no authority to rule on a point of order involving a constitutional question. Therefore, the Chair refers the point of order and the question to the Senate.

The question is, Is it the judgment of the Senate that the point of order is well taken?

Mr. WILLIAMS of Delaware. I ask for a division, Mr. President.

The PRESIDING OFFICER. A division is requested. All who believe the point of order is well taken will stand and be counted.

Mr. WILLIAMS of Delaware. Mr. President, I suggest the absence of a quorum.

Mr. McGEE. Mr. President, I did not hear the second part of the question.

The PRESIDING OFFICER. The question is, all Senators who believe the point of order is well taken will stand.

Mr. McGEE. I thought they had stood, and the Chair had made a follow-up statement.

The PRESIDING OFFICER. All those opposed.

Mr. WILLIAMS of Delaware. Mr. President, I suggest the absent of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. MANSFIELD. Mr. President, will the Senator withhold that?

Mr. WILLIAMS of Delaware. I will withhold it, but I will be requesting the yeas and nays. I might ask, is the Senator willing to have a vote on it tonight?

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I have talked with the interested parties on this measure now pending, and I am about to propound a unanimous-consent request.

UNANIMOUS-CONSENT AGREEMENT

I ask unanimous consent that, at the conclusion of morning business tomorrow, there be a time limitation of 30 minutes on the pending constitutional question which has been referred to the Senate for decision, and that the time be equally divided between the distinguished senior Senator from Wyoming, the manager of the bill (Mr. McGEE), and the distinguished senior Senator from Delaware (Mr. WILLIAMS), who raised the point of order.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The unanimous-consent agreement was subsequently reduced to writing, as follows:

Ordered, That at the conclusion of the morning business on October 3, 1969 during the further consideration of the point of order against Section 207 of S. 274 Civil Service Retirement bill, debate be limited to 30 minutes to be equally divided and controlled by the Senator from Wyoming (Mr. McGEE) and the Senator from Delaware (Mr. WILLIAMS).

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. MANSFIELD. I yield.

Mr. WILLIAMS of Delaware. For the information of the Senate, there will be a record vote on that.

Mr. MANSFIELD. Yes, I think there should be.

Mr. McGEE. Mr. President, will the Senator yield until I can propound another thought here?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER (Mr. HOLLAND in the chair). The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. SPONG. I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

TELEVISION NEWSPAPER OF THE AIR

Mr. SPONG. Mr. President, WETA, channel 26 launches a daily newspaper-of-the-air tonight—Thursday, October

2—with editors and reporters from the Washington Post and the Evening Star. This is an example of public television's ability to respond effectively to an emergency community need, the channel 26 newspaper-of-the-air will be broadcast in color, 7 to 8 p.m., 10 to 11 p.m.

Newspaper-of-the-air will cover the day's most important events in the fields of foreign and national news; District of Columbia, Virginia, and Maryland news; entertainment, sports, and other news features; with incisive reports and analysis of leading Washington reporters.

I make this announcement for the information of Senators who may be interested.

Mr. BYRD of West Virginia. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. BYRD of West Virginia. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

ADJOURNMENT UNTIL 11 A.M. TOMORROW

Mr. BYRD of West Virginia. Mr. President, if there be no further business to come before the Senate, I move, in accordance with the previous order, that the Senate stand in adjournment until 11 o'clock tomorrow morning.

The motion was agreed to; and (at 6 o'clock and 50 minutes p.m.) the Senate adjourned until tomorrow, Friday, October 3, 1969, at 11 a.m.

NOMINATIONS

Executive nominations received by the Senate October 2, 1969:

AGENCY FOR INTERNATIONAL DEVELOPMENT

Samuel C. Adams, Jr., of Texas, to be an Assistant Administrator of the Agency for International Development, vice R. Peter Straus, resigned.

U.S. DISTRICT JUDGE

R. Dixon Herman of Pennsylvania to be U.S. district judge for the middle district of Pennsylvania, vice Frederick V. Follmer, retired.

U.S. ATTORNEY

S. John Cottone, of Pennsylvania, to be U.S. attorney for the middle district of Pennsylvania for the term of 4 years, vice Bernard J. Brown.

U.S. MARSHAL

Thomas Edward Asher of Kentucky, to be U.S. marshal for the eastern district of Kentucky for the term of 4 years, vice Archie Craft.

William C. Black, of Texas, to be U.S. marshal for the northern district of Texas for the term of 4 years, vice Robert I. Nash.

CONFIRMATIONS

Executive nominations confirmed by the Senate October 2, 1969:

NATIONAL COUNCIL ON THE ARTS

Nancy Hanks, of New York, to be Chairman of the National Council on the Arts for a term of 4 years.

U.S. ATTORNEYS

Duane K. Craske, of Guam, to be U.S. attorney for the district of Guam for the term of 4 years.

James H. Brickley, of Michigan, to be United States attorney for the eastern district of Michigan for the term of 4 years.

Bart M. Schouweiler, of Nevada, to be U.S. attorney for the district of Nevada for the term of 4 years.

Edward R. Neaheer, of New York, to be U.S. attorney for the eastern district of New York for the term of 4 years.

William W. Milligan, of Ohio, to be U.S. attorney for the southern district of Ohio for the term of 4 years.

Blas C. Herrero, Jr., of Puerto Rico, to be U.S. attorney for the district of Puerto Rico for the term of 4 years.

Stanley G. Pitkin, of Washington, to be U.S. attorney for the western district of Washington for the term of 4 years.

U.S. MARSHALS

Gaylord L. Campbell, of California, to be U.S. marshal for the central district of California for the term of 4 years.

Rex Walters, of Idaho, to be U.S. marshal for the district of Idaho for the term of 4 years.

George R. Tallent, of Tennessee, to be U.S. marshal for the western district of Tennessee for the term of 4 years.

William A. Quick, Jr., of Virginia, to be U.S. marshal for the western district of Virginia for the term of 4 years.

Rex K. Bumgardner, of West Virginia, to be U.S. marshal for the northern district of West Virginia for the term of 4 years.

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued Oct. 6, 1969
For actions of Oct. 3, 1969

91st-1st, No. 161

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HOUSE

1. CLEAN WATER. Rep. Feighan urged the Congress to appropriate the full \$1 billion for pollution control as authorized by the Clean Water Restoration Act of 1966, and he inserted a supporting editorial. pp. H9029-30
2. FISCAL YEAR. Rep. Cederberg deplored the lack of action on the appropriations bills and indicated a more realistic approach to appropriations legislation would be to have the fiscal year conform to the calendar year. pp. H9038-9

UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C.
OFFICIAL BUSINESS

20250

UNITED STATES DEPARTMENT OF AGRICULTURE

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF AGRICULTURE

3. LEGISLATIVE PROGRAM. Rep. Albert announced the legislative program for the week beginning Oct. 6, as follows: Mon., under suspension of the rules, S. 1836, to amend the Federal Seed Act, and H. R. 9857, to amend the Perishable Agricultural Commodities Act; Tues., National Science Foundation appropriation authorizations; Wed., H. R. 14159, public works for water, pollution control, and power development, and the Atomic Energy Appropriation bill. p. H9024

4. ADJOURNED until Mon., Oct. 6.

SENATE

5. PERSONNEL; TRAVEL. The Government Operations Committee reported with amendments H. R. 337, to increase the maximum rate of per diem allowance for employees of the Government traveling on official business (S. Rept. 91-450). p. S11811

6. BREAD. Passed without amendment H. J. Res. 851, to request the President of the United States to issue a proclamation calling for a "Day of Bread" and "Harvest Festival" (pp. S11802). This measure will now be sent to the President.

7. RETIREMENT. Passed with amendments H. R. 9825, relating to retirement financing and benefits for Government employees and Members of Congress (pp. S11848-58).

Agreed to an amendment by Sen. McGee to strike from the bill section 207, to exclude a maximum of \$3,000 per year of annuity from gross income of annuitants for income tax purposes. p. S11851

Rejected, 8-56, Sen. Williams, Del., amendment to strike the language which would base annuity on the average salary for 3 consecutive years rather than 5, and would allow credit of accumulated sick leave which an employee has at time of retirement. p. S11855

Senate conferees were appointed (p. S11858). House conferees have not been appointed.

S. 2754, a similar bill, was indefinitely postponed. p. S11858

8. PEACE CORPS. Passed with amendment H. R. 11039, to amend further the Peace Corps Act (p. S11858-9). Conferees were appointed. House conferees have not been appointed.

9. TAXATION. Sen. Curtis opposed changing the tax-exempt status of State and municipal bonds in any manner. pp. S11799-801

Several Senators inserted testimony on the tax reform bill. pp. S11819-25, S11843-8, S11838-40

10. SCENIC RIVERS. Received from this Department River Plans for a segment of the Rogue River, Oreg.; the Middle Fork of the Clearwater River including the Lochsa and Selway Rivers, Ida.; and the Middle Fork of the Salmon River. pp. S11810-11

Both Houses received from this Department a River Plan for the Eleven Point River, Mo. pp. S11811, H9041

by \$100 for each dependent of the taxpayer other than his spouse during such year.

"(2) **SCHEDULE OF MAXIMUM CREDITABLE CHARGES: REGULATIONS.**—The Secretary or his delegate shall prescribe regulations setting forth a schedule of maximum charges eligible for credit under subsection (a) in such defined categories of expenses for medical care as may be necessary to assure credit only of reasonable expenses pursuant to this section. The secretary or his delegate shall also prescribe such additional regulations as may be necessary to carry out the provisions of this section.

"(3) **REDUCTION OF CREDIT.**—The credit under subsection (a) as limited by paragraphs (1) and (2) of this subsection shall be reduced by an amount equal to 1 percent of the amount by which the adjusted gross income of the taxpayer for the taxable year exceeds \$25,000.

"(c) **DEFINITIONS.**—For purposes of this section—

"(1) The term "expenses" for "medical care" means amounts paid—

"(A) for the diagnosis, cure, mitigation, treatment, or prevention of disease, or for the purpose of affecting any structure or function of the body,

"(B) for transportation primarily for and essential to medical care referred to in subparagraph (A), or

"(C) for insurance (including amounts paid as premiums under part B of title XVIII of the Social Security Act, relating to supplementary medical insurance for the aged) covering medical care referred to in subparagraphs (A) and (B).

"(2) In the case of an insurance contract under which amounts are payable for other than medical care referred to in subparagraphs (A) and (B) of paragraph (1)—

"(A) no amount shall be treated as paid for insurance to which paragraph (1)(C) applies unless the charge for such insurance is either separately stated in the contract, or furnished to the policyholder by the insurance company in a separate statement,

"(B) the amount taken into account as the amount paid for such insurance shall not exceed such charge, and

"(C) no amount shall be treated as paid for such insurance if the amount specified in the contract (or furnished to the policyholder by the insurance company in a separate statement) as the charge for such insurance is unreasonably large in relation to the total charges under the contract.

"(3) Subject to the limitations of paragraph (2), premiums paid during the taxable year by a taxpayer before he attains the age of 65 for insurance covering medical care (within the meaning of subparagraphs (A) and (B) of paragraph (1)) for the taxpayer, his spouse, or a dependent after the taxpayer attains the age of 65 shall be treated as expenses paid during the taxable year for insurance which constitutes medical care if premiums for such insurance are payable (on a level payment basis) under the contract for a period of 10 years or more or until the year in which the taxpayer attains the age of 65 (but in no case for a period of less than 5 years).

"(4) The determination of whether an individual is married at any time during the taxable year shall be made in accordance with the provisions of section 6013(d) (relating to determination of status as husband and wife).

"(d) **SPECIAL RULES.**—

"(1) **TREATMENT OF EXPENSES PAID AFTER DEATH.**—For purposes of subsection (a), expenses for the medical care of the taxpayer which are paid out of his estate during the 1-year period beginning with the day after the date of his death shall be treated as paid by the taxpayer at the time incurred. The preceding sentence shall not apply if the amount paid is allowable under section 2053 as a deduction in computing the taxable

estate of the decedent, but this paragraph shall not apply if (within the time and in the manner and form prescribed by the Secretary or his delegate) there is filed—

"(A) a statement that such amount has not been allowed as a deduction under section 2053, and

"(B) a waiver of the right to have such amount allowed at any time as a deduction under section 2053.

"(2) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) to the taxpayer shall not exceed the amount of the tax imposed on the taxpayer for the taxable year by this chapter, reduced by the sum of the credits allowable under this subpart (other than under this section and sections 37, 39 and 41).

"(e) **DISALLOWANCE OF EXPENSES AS DEDUCTION.**—No deduction shall be allowed under section 213 (relating to medical, dental, etc., expenses) or section 214 (relating to expenses for care of certain dependents) for any expense of medical care which (after the application of subsection (b)) is taken into account in determining the amount of any credit allowed under subsection (a). The preceding sentence shall not apply to expenses of medical care paid by any taxpayer who, under regulations prescribed by the Secretary or his delegate, elects not to apply the provisions of this section with respect to such expenses for the taxable year.

"EXPENSES OF HIGHER EDUCATION"

"**SEC. 41. (a) GENERAL RULE.**—There shall be allowed to an individual, as a credit against the tax imposed by this chapter for the taxable year, an amount, determined under subsection (b), of the expenses of higher education paid by him during the taxable year to one or more institutions of higher education in providing an education above the twelfth grade for any family member.

"(b) **LIMITATIONS.**—

"(1) **AMOUNT PER FAMILY MEMBER.**—The credit under subsection (a) for expenses of higher education of any family member paid during the taxable year shall be an amount equal to the sum of—

"(A) 75 percent of so much of such expenses as does not exceed \$200,

"(B) 25 percent of so much of such expenses as exceeds \$200 but does not exceed \$500, and

"(C) 10 percent of so much of such expenses as exceeds \$500 but does not exceed \$1,500.

"(2) **REDUCTION OF CREDIT.**—The credit under subsection (a) for expenses of higher education of any family member paid during the taxable year as determined under paragraph (1) of this subsection shall be reduced by an amount equal to 1 percent of the amount by which the adjusted gross income of the taxpayer for the taxable year exceeds \$25,000.

"(c) **DEFINITIONS.**—For purposes of this section—

"(1) **EXPENSES OF HIGHER EDUCATION.**—The term "expenses of higher education" means—

"(A) tuition and fees required for the enrollment or attendance of a student at a level above the twelfth grade at an institution of higher education, and

"(B) fees, books, supplies, and equipment required for courses of instruction above the twelfth grade at an institution of higher education.

Such term does not include any amount paid, directly or indirectly, for meals, lodging, or similar personal, living, or family expenses. In the event an amount paid for tuition or fees includes an amount for meals, lodging, or similar expenses which is not separately stated, the portion of such amount which is attributable to meals, lodging, or similar expenses shall be determined under regulations prescribed by the Secretary or his delegate.

"(2) **INSTITUTION OF HIGHER EDUCATION.**—

The term "institution of higher education" means—

"(A) an educational institution (as defined in section 151(e)(4))—

"(i) which regularly offers education at a level above the twelfth grade; and

"(ii) contributions to or for the use of which constitute charitable contributions within the meaning of section 170(c); or

"(B) a business or trade school, or technical institution or other technical or vocational school in any State, which (i) is legally authorized to provide, and provides within that State, a program of postsecondary vocational or technical education designed to fit individuals for useful employment in recognized occupations; and (ii) is accredited by a nationally recognized accrediting agency or association listed by the United States Commissioner of Education; and (iii) has been in existence for two years or has been specially accredited by the Commissioner as an institution meeting the other requirements of this subparagraph.

"(3) **STATE.**—The term "State" includes, in addition to the several States of the Union, the Commonwealth of Puerto Rico, the District of Columbia, Guam, American Samoa, the Virgin Islands, and the Trust Territory of the Pacific Islands.

"(4) **FAMILY MEMBER.**—The term "family member" means the taxpayer, his spouse or any of his dependents (as defined in section 152).

"(d) **SPECIAL RULES.**—

"(1) **ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS' BENEFITS.**—The amounts otherwise taken into account under subsection (a) as expenses of higher education of any individual during any period shall be reduced (before the application of subsection (b)) by any amounts received by such individual during such period as—

"(A) a scholarship or fellowship grant (within the meaning of section 117(a)(1)) which under section 117 is not includible in gross income, and

"(B) educational assistance allowance under chapter 34 or 35 of title 38 of the United States Code.

"(2) **NONCREDIT AND RECREATIONAL, ETC., COURSES.**—Amounts paid for expenses of higher education of any individual shall be taken into account under subsection (a)—

"(A) in the case of an individual who is a candidate for a baccalaureate or higher degree, only to the extent such expenses are attributable to courses of instruction for which credit is allowed toward a baccalaureate or higher degree, and

"(B) in the case of an individual who is not a candidate for a baccalaureate or higher degree, only to the extent such expenses are attributable to courses of instruction necessary to fulfill requirements for the attainment of a predetermined and identified education, professional, or vocational objective.

"(3) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) to the taxpayer shall not exceed the amount of the tax imposed on the taxpayer for the taxable year by this chapter reduced by the sum of the credits allowable under this subpart (other than under this section and sections 37 and 39).

"(e) **DISALLOWANCE OF EXPENSES AS DEDUCTION.**—No deduction shall be allowed under section 162 (relating to trade or business expenses) for any expense of higher education which (after the application of subsection (b)) is taken into account in determining the amount of any credit allowed under subsection (a). The preceding sentence shall not apply to the expenses of higher education of any taxpayer who, under regulations prescribed by the Secretary or his delegate, elects not to apply the provisions of this section with respect to such expenses for the taxable year.

"(f) **CARRYOVER OF EXCESS CREDIT.**—Any amount by which the credit otherwise allow-

able under this section for the expenses of higher education of the taxpayer paid during the taxable year exceeds the tax which would be imposed on the taxpayer for such taxable year by this chapter in the absence of this section reduced by the amount of credit allowed for expenses of higher education of any other family member paid during such taxable year shall be allowed as a credit for expenses of higher education of the taxpayer deemed to be paid during the first, second, third, fourth, fifth, sixth, seventh, eighth, ninth, or tenth succeeding taxable years, in that order and to the extent such expenses were not deemed paid in a prior taxable year, in the amount by which the tax which would be imposed on the taxpayer for such succeeding taxable year by this chapter in the absence of this section reduced by the amount of credit allowed for expenses of higher education of any other family member paid during such succeeding taxable year exceeds the amount of credit allowable under this section for the expenses of higher education of the taxpayer paid during such succeeding taxable year plus the amount of credit allowable under this section for such expenses paid during any taxable year earlier than the current taxable year but deemed to have been paid during such succeeding taxable year, subject, however, to all limitations imposed by this section on the amount of credit allowable for such succeeding taxable year.

"(g) REGULATIONS—The Secretary or his delegate shall prescribe such regulations as may be necessary to carry out the provisions of this section."

SEC. 3. The table of sections for subpart A of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1954 is amended by striking out the last item and inserting in lieu thereof the following:

"Sec. 40. Medical Expenses.

"Sec. 41. Expenses of Higher Education.

"Sec. 42. Overpayments of Tax."

SEC. 4. The amendments made by section 2 and 3 of this Act shall apply to taxable years beginning after December 31, 1971.

PRESIDENT NIXON STEADFASTLY SUPPORTS HAYNSWORTH NOMINATION

Mr. HRUSKA. Mr. President, at the request of the minority leader, with whom I have discussed the matter, I wish to have inserted in the CONGRESSIONAL RECORD a letter which he, Chairman EASTLAND of the Judiciary Committee, and I have received from President Nixon this afternoon.

The letter deals with the President's nomination of Judge Haynsworth to be an Associate Justice of the Supreme Court and it states flatly and unequivocally the President's steadfast support of the nomination.

In view of the false and completely unfounded rumors concerning Mr. Nixon's position in this matter, I ask unanimous consent that the letter be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE WHITE HOUSE,
Washington, October 2, 1969.

Hon. HUGH SCOTT,
Minority Leader,
U.S. Senate,
Washington, D.C.

DEAR HUGH: I have noted speculations as to my intentions respecting the nomination of Judge Haynsworth to the Supreme Court.

In order that there be no misunderstanding on the part of anyone, I send this letter

to confirm that I steadfastly support this nomination and earnestly hope and trust that the Senate Judiciary Committee and the Senate will proceed with dispatch to approve the nomination.

I am conversant with the various allegations that have attended this nomination. I have most carefully examined the record. There is nothing whatsoever that impeaches the integrity of Judge Haynsworth. There is no question as to his competence as a Judge. There is no proper faulting of his posture vis-a-vis Civil Rights or Labor.

It would be very wrong to allow unfounded allegations to deny this country of the distinguished service of Judge Haynsworth on the Supreme Court. I intend to do all that I can to secure his confirmation.

I hope you will make the contents of this letter known to your colleagues. I have sent a copy to Chairman Eastland and to Senator Hruska, ranking Republican member of the Committee, where this nomination is presently lodged.

Sincerely,

RICHARD M. NIXON.

CONCLUSION OF MORNING BUSINESS

Mr. MANSFIELD. Mr. President, is there further morning business?

The PRESIDING OFFICER. Is there further morning business? If not, morning business is closed.

COMMITTEE MEETINGS DURING SENATE SESSION

Mr. MANSFIELD. Mr. President, I ask unanimous consent that all committees be permitted to meet during the session of the Senate today.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR ADJOURNMENT UNTIL MONDAY, OCTOBER 6, 1969

Mr. MANSFIELD. Mr. President, I ask unanimous consent that, when the Senate completes its business today, it stand in adjournment until 12 o'clock noon on Monday next.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, with the time not to be taken from either side.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will call the roll.

The bill clerk proceeded to call the roll.

CIVIL SERVICE RETIREMENT

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the unfinished business.

The PRESIDING OFFICER. The bill will be stated by title.

The LEGISLATIVE CLERK. A bill (S. 2754) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

The PRESIDING OFFICER. Who yields time?

Mr. MANSFIELD. Mr. President, I suggest the absence of a quorum, with the time not to be taken from either side.

The PRESIDING OFFICER. Without objection, it is so ordered. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Montana will state it.

Mr. MANSFIELD. Is the Senate now operating on limited time?

The PRESIDING OFFICER. The Senator from Montana is correct. The Senate is operating on limited time of 30 minutes, with 15 minutes to a side.

Mr. HOLLAND. The pending business is S. 2754 and the pending question is the point of order on section 207 of the bill, the point of order having been raised by the Senator from Delaware (Mr. WILLIAMS) in which he stated that the matter is a revenue measure and should therefore originate in the House.

Mr. McGEE. May the Senator from Wyoming state that it was his understanding, when that ruling was requested last evening, the Presiding Officer ruled, on advice of the Parliamentarian, that there would be no ruling on that matter, that it was a constitutional question, not a jurisdictional question.

The PRESIDING OFFICER. The Chair ruled, when the point of order was raised, that it was a constitutional question and the Chair would refer it to the Senate. That is the matter now before the Senate.

Mr. McGEE. That is the pending matter, not the jurisdictional question whether the bill belongs in committee, but—

The PRESIDING OFFICER. The point of order is the question. The Chair has no authority to rule on a constitutional question.

Mr. McGEE. So the decision now is on the constitutional issue of whether this is a tax measure not originating in the House. Is that the thrust of the constitutional question?

The PRESIDING OFFICER. The Senator is exactly correct.

Mr. McGEE. I thank the Presiding Officer.

The PRESIDING OFFICER. Who yields time?

Mr. HOLLAND. Mr. President, will the Senator yield to me for 1 minute in order to address a parliamentary inquiry to the Chair?

Mr. McGEE. I yield.

The PRESIDING OFFICER. The Senator from Florida will state the inquiry.

Mr. HOLLAND. It is my understanding that this is a point of order based on the constitutional question, and as such has to be submitted to the Senate as a whole for a ruling.

The PRESIDING OFFICER. The Senator is correct.

Mr. HOLLAND. It is a point of order based on the constitutional question.

The PRESIDING OFFICER. The Senator from Florida is correct.

Mr. HOLLAND. I thank the Presiding Officer.

The PRESIDING OFFICER. Who yields time?

Mr. WILLIAMS of Delaware. Mr. President, I yield myself 3 minutes.

The PRESIDING OFFICER. The Senator from Delaware is recognized for 3 minutes.

Mr. WILLIAMS of Delaware. Mr. President, when the Senate adjourned last night, the question before us was whether S. 2754 was subject to a point of order on the ground that it included a tax amendment originating in the Senate.

In my judgment there is no question about it. The bill excludes the first \$3,000 of civil service pension from Federal income tax calculation for every individual retired under the civil service program. They would pay a lower tax because of the committee amendment and the Federal revenues would be reduced because of it. To my way of thinking that is a revenue measure pure and simple.

The existing tax law contains provisions designed to relieve the tax burden on retired persons. The principal provision is the retirement income credit. It applies to everyone living on retirement income whether it consists of a civil service pension, a teacher's, policemen's, or firemen's pension, or a pension received under a private pension plan. It treats all retirees alike. It gives them the equivalent of tax exemption on \$1,524 of retirement income if they are single, and \$2,276 if they are married and the spouse is also age 65. These figures are equivalent to the maximum social security benefit which was payable in 1964. It was calculated roughly to equate the tax treatment of those living on taxable retirement benefits with the tax treatment of those receiving tax-free social security payments.

Under present law a married couple living off a civil service pension could receive \$6,047 per year—more than \$500 per month—and be absolutely tax free under the retirement income credit. That is present law. If they have dividend income of \$200 they could be wholly tax exempt on \$6,247. The House bill, now pending before the Senate Finance Committee, would make the existing law even more attractive to them. Under it a married couple over age 65 would be tax exempt on retirement income of \$6,732.50 plus another \$200 of dividend income, if they have it, for tax exemption for a gross amount of \$6,932.50.

S. 2754, under section 207, would create a third instance of special tax treatment for a single group of retired persons. It would complicate the law and create new discriminations. It added another \$3,000 tax exemption, Mr. President, to bring it up close to the \$10,000 exemption for one group of retired people only, not all employees, but only those fortunate enough to have been employees of the U.S. Government.

The Senate Finance Committee is now engaged in consideration of the Tax Reform Act of 1962. Yesterday we took testimony from representatives of the Retired Civil Employees. Among the sug-

gestions we received was one to increase the amount of income eligible for the retirement income credit. This thought was expressed by Mr. Ernest Giddings speaking for the American Association of Retired Persons and the National Retired Teachers Association. An amendment to the Tax Reform bill reflecting this suggestion is already pending before the Committee on Finance.

The proper way to go about changing the tax treatment of retired persons is to let that matter be considered by the committee which has jurisdiction over the tax system. That committee is the Committee on Finance, not the Committee on Post Office and Civil Service.

Section 207 of S. 2754 is a tax provision originating in the Senate. In my opinion the point of order against it must be sustained. By all means, whatever tax consideration we give to those living on pensions should be extended to all American citizens, regardless of the source from which their pensions are derived. They should be given equal treatment.

Mr. President, I yield 5 minutes to the Senator from Louisiana.

Mr. LONG. Mr. President, there is no doubt in the mind of the Senator from Louisiana that this proposal is an effort to originate a revenue bill in the Senate of the United States, and as such, is clearly unconstitutional. There is a question of committee jurisdiction, but that does not concern the Senator from Louisiana in view of the fact that the Constitution provides that all revenue bills must originate in the House. That means it must be a revenue bill when it originated there. It cannot be made into a revenue bill in the Senate. Therefore, the House should, and I am confident would, insist that this provision of the bill violates the Constitution and send it back to us. But the Senate should not put itself in the position of sending such a bill to the House.

As the Senator from Delaware has pointed out, if this provision were enacted, it would discriminate against other retired persons, such as school teachers, policemen, firemen, and others retired on private plans.

We are trying to work out an arrangement in the Finance Committee whereby all retired people are treated the same. In that way we will not have to have other groups come before us saying that we must provide the same benefits for them as we have provided Government employees, because we have discriminated in favor of ourselves and Government employees.

By approaching this problem in the way the Finance Committee is approaching it—and we are conducting hearings—we would hope to reduce taxes for all retired people and achieve justice for all of them.

There is legislation before us, the Tax Reform Act of 1969, which we hope would contain equitable and just tax treatment for all retired persons, and would not select one particular group.

No one who would be supporting the measure that has come from the Post Office and Civil Service Committee could hope to know what the cost would be, because he is in a position to know only what the cost would be for one class,

namely, Federal employees. It should be our concern to know what the cost would be when applied to all retired persons, whether they worked for a State government or the Federal Government, or were retired under private pension plans.

That being the case, I think the Senator from Delaware is right. The Senate would be doing a futile thing in originating revenue legislation. I do not think the House would go along with it, and I think we would be wise to strike that section from the bill.

Mr. COOPER. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. COOPER. If the amendment should be constitutional—and I do not believe it is; I agree with the Senator—and it should be enacted, would Members of the Senate have the privilege of deducting an additional \$3,000 as a tax exemption?

Mr. WILLIAMS of Delaware. Yes, if the bill is enacted as it is at present. Any Member of the U.S. Senate as well as other Government employees would be entitled to another \$3,000 tax exemption, which would not apply to other retired persons.

Mr. COOPER. Municipal and State and private pensioners would not have the same privilege?

Mr. WILLIAMS of Delaware. That is right. The argument I have made is that to the extent that we can afford to liberalize retirement tax credit, it should be done for all American citizens and not for any one group.

Mr. COOPER. I agree with the Senator on the merits and on the constitutional issue. The section should be defeated.

Mr. WILLIAMS of Delaware. I think the merits overshadow the constitutional question. Yet they are both involved. But to get to the issue, we are raising it on the constitutional question.

The PRESIDING OFFICER. Who yields time?

Mr. McGEE. Mr. President, has the Senator from Delaware given up the floor?

Mr. WILLIAMS of Delaware. Yes.

Mr. McGEE. Mr. President, I would like to make two observations in regard to the comments which have been made. It has been suggested that this is discriminatory legislation inasmuch as it favors Government employees and leaves out schoolteachers, State employees, and other retired people. I think that argument needs to be compared to another discrimination. In the social security program and in the railroad retirement program the retirees already have the benefit of such a tax exemption, because it already exists. Federal employees have been discriminated against and "selected out" for this special consideration.

This provision is submitted in this particular piece of legislation simply as a matter of long overdue, equitable treatment, in light of the record that has already been written.

But there are basically two fundamental issues here. One is the constitutional one—whether this is a revenue bill in the terms of the Constitution. I have been advised that, as one examines the pertinent section of the Constitution, he

finds that there shall be no bills for the raising of revenue except those originating in the House. This bill does not raise any revenue. And in a decision in 1897, in the case of Twin City Bank against Nebeker, that point was sustained. Therefore, it is at least open to controversy whether there is a constitutional basis for objection.

But objection has been raised on a second ground as well, and that is the point in regard to the legitimate jurisdiction of the committee over this bill—whether it belongs in the Committee on Post Office and Civil Service or whether it properly belongs in the Committee on Finance.

On this point, an identical bill was introduced by me earlier this year. That bill was referred by the parliamentarian to the Committee on Post Office and Civil Service. So this is not a onesided case.

We have been waiting now for 100 years for some action on this matter. We have had no action coming. Our responsibility in the Committee on Post Office and Civil Service is to see to the welfare of those in the civil service, to try to achieve some kind of equity, if it is reasonable. We believe this proposal is reasonable. It is our responsibility. It has been "bucked" back to us several times. So I would raise serious question about the onesidedness of the issue at stake here.

I would only say that the time is long past when the benefit of this kind of legislation properly ought to be given to all of the Federal Civil Service retirees in this country.

I have been in consultation with the parliamentarian and with some constitutional lawyers. I realize the controversy in the case, but I wanted to make sure the record was clear that the controversy is not an open-and-shut case, as it has been represented as being by the raising of the point of order.

In the interest of moving ahead on this matter, I would like to ask, if I may, the chairman of the Finance Committee if he could recommend to us any way in which we could move with dispatch in behalf of the Federal civil service annuitants in this regard.

Mr. COTTON. Mr. President, before that, will the Senator yield for a quick question, for information?

Mr. McGEE. Yes.

Mr. COTTON. I have been reading the report. I want to make sure that this \$3,000 exemption comes after, that it does not take the place of, the exemption we already have for the money that has been paid in.

Mr. McGEE. That is right. It comes after the exemption already existing. This provision is not intended to benefit the Senate or Senators or any others who happen to be well off in the retirement system. It is addressed to the 900,000 Federal retirees who are trying to exist on \$3,000, \$4,000, or \$5,000.

Mr. COTTON. Was any consideration given in committee to leaving out Members of Congress from this provision in view of the fact that we recently voted ourselves what seemed to be quite an adequate increase?

Mr. McGEE. Yes, there was serious consideration given to that, and it was thought that we would then open up another can of worms. It was felt that the complications outweighed the advantages of that selecting out process.

Mr. WILLIAMS of Delaware. Mr. President, will the Senator yield?

Mr. LONG. Mr. President, the Senator asked me a question, if he will yield to me to respond.

Mr. McGEE. Yes.

Mr. LONG. I was merely going to say that we intended to have legislation on this subject in the Tax Reform Act of 1969, H.R. 12370, and when that bill is before us in December, the Senator could quite appropriately move to do exactly what he is seeking to do here; and, for all I know, we might decide to do what the Senator is recommending when we get into executive session on that measure.

As I say, the committee has taken testimony on it, and the Senator would have no problem, at that point, about revenue measures originating in the House of Representatives, because the Tax Reform Act, of course, is a revenue bill that did originate in the House of Representatives. Thus the Senator's amendment, of course, would be appropriate to it, and it could be considered at that time.

Mr. McGEE. As the chairman of the Committee on Finance has stated, he and I have discussed this matter privately. We have no intention of trying to invade someone else's territory, and I should like at this point to pose a question to the Senator from Delaware: If we were to agree to withdraw the provision, because of the various judgments that have been rendered and our further study of it overnight, is he willing to withdraw his point of order on this particular section?

Mr. WILLIAMS of Delaware. If the Senator himself wishes to move to strike that provision, section 207, from his bill I would withdraw the point of order so that he could do it.

But, Mr. President, I do wish to make just this point in relation to the question asked by the Senator from New Hampshire: I believe the Senator from Wyoming said that his principal concern was for those hundreds of thousands of civil service retired employees in the \$3,000, \$4,000, and \$5,000 brackets. I call his attention to the remarks I made earlier, pointing out that under existing law a civil service retired employee drawing a pension of around \$500 per month, or \$6,000 per year, is not paying any income tax at all and is not affected one iota by this provision of the bill. It is only those who are above that bracket who would gain some benefit.

So, as we talk about this bill let us be sure we know what we are talking about. We are not talking about tax relief for those who are drawing pensions below \$500 per month or even, under the House bill as it is reported, those drawing pensions as high as \$7,200 a year, or \$600 a month, for they are already exempted from tax under H.R. 13270 as it came from the House of Representatives. This is a \$3,000 exemption over and beyond

that, for only those who are on the Government payroll, including Members of Congress.

On what basis did the members of the Senate Civil Service Committee think that Members of Congress are entitled to a \$3,000 tax exemption on their pensions above that allowed private citizens?

That is the reason I say that even on its merits this should not be done, and that if Congress is going to establish any such exemption as that, by all means it should be afforded to all retired employees alike.

I think it should be pointed out clearly that we are not dealing just with those in the lower-income groups, because they are not affected one iota. Under existing law, even without the House bill, married couples are not paying any tax at all if they are drawing pensions of \$5,000 to \$6,000. So let us keep the record straight.

Mr. McGEE. I thank the Senator from Delaware for his comments. I yield now to the Senator from Hawaii.

Mr. FONG. Mr. President, before the distinguished Senator from Wyoming asks to withdraw this provision from the bill, I should like to ask him a few questions.

Is it not true that all payments under social security, to recipients of social security pensions, are exempt from the income tax?

Mr. McGEE. That is correct.

Mr. FONG. And the maximum amount that could be paid to a recipient would be \$218, under the new law?

Mr. McGEE. That is correct.

Mr. FONG. If a recipient receives social security payments, and if his wife should be of a certain age, she would also receive a certain amount, which would be about \$105?

Mr. McGEE. \$105, that is correct.

Mr. FONG. So when we combine the two, \$218 and \$105, the couple would receive \$323 from the Federal Government as a payment under social security, which would be entirely exempt from income tax?

Mr. McGEE. That is correct.

The PRESIDING OFFICER. All time of the Senator from Wyoming under the unanimous-consent agreement has expired.

Mr. McGEE. Mr. President, may I ask my colleague from Delaware if he will yield me 2 minutes, so that the Senator from Hawaii may finish his statement? I yielded to him on my time.

Mr. WILLIAMS of Delaware. Yes, if I have it.

Mr. FONG. I ask the Senator from Wyoming if it is not true that, instead of giving preferential treatment to the Federal retiree, we are trying to put him on an equal basis with retirees under social security.

Mr. McGEE. That is the purpose of this legislation.

Mr. FONG. The person who works for the Federal Government does not have social security. Is that correct?

Mr. McGEE. That is correct.

Mr. FONG. All others who work for private enterprise do receive social security benefits?

Mr. McGEE. That is correct.

Mr. FONG. So when they retire, they are paid under social security, and the amount they receive will be exempted from taxation?

Mr. McGEE. That is correct.

Mr. FONG. So what we are trying to now is put them on an equitable basis with that of the social security retirees?

Mr. McGEE. That is correct.

Mr. FONG. I thank the Senator.

Mr. McGEE. I thank my friend for his contribution and his exercise of wisdom in helping to guide this matter through our days of hearings.

I should just like to stress, in the little time left, that we have been genuinely trying to achieve equity for a group that has been left out.

Mr. President, I send to the desk an amendment that would withdraw section 207 from the bill, in accordance with the dialogue we have just had.

The PRESIDING OFFICER. The Chair advises the Senator from Wyoming that prior to the consideration of this amendment, it will be necessary for the Senator from Delaware to withdraw his point of order.

Mr. WILLIAMS of Delaware. Mr. President, I withdraw the point of order in order that the Senator may offer his amendment.

The PRESIDING OFFICER. Without objection, the point of order is withdrawn, and the clerk will state the amendment.

The LEGISLATIVE CLERK. It is proposed, beginning on page 13, line 8, strike out all of section 207, and renumber succeeding sections.

(The language proposed to be stricken is as follows:)

SEC. 207. Section 8345 of title 5, United States Code, is amended by adding at the end thereof the following new subsection: "(f) An amount, not to exceed \$3,000 each year, which is received by an annuitant or a survivor annuitant under this subchapter and, except for this subsection, which would be included as gross income for purposes of the Federal income tax laws, shall not be included as gross income under such laws."

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wyoming.

Mr. WILLIAMS of Delaware. Mr. President, I certainly support the deletion of this section. I simply wish to make one comment in answer to a point that was raised; namely, that all section 207 proposed to do was extend to civil service employees the same benefits that have been extended to recipients of social security pensions. I call to the attention of the Senate that that is not quite the situation.

Social security pensions are tax exempt, that is true; but there is an additional clause in the social security law which says the man drawing social security must pass an earnings test. He cannot freely supplement his income on the outside beyond, I believe it is \$1,680, except as his pension is reduced accordingly, and if he goes beyond a certain amount he loses his social security benefits entirely.

There is no such restriction in connection with civil service pensions. A member of the executive branch or a Member of Congress can go out of here

today with a \$20,000 pension if he has served long enough, get a job in private industry, and draw his pension at the same time he is working.

There are advantages and disadvantages under each, but let us not try to point out that this is simply to correct an inequity under existing law. If anything, the inequity is directed toward the beneficiaries of social security, who are even more handicapped than beneficiaries of the Civil Service Retirement Act.

I shall not debate the matter further. I support the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wyoming.

The amendment was agreed to.

The PRESIDING OFFICER. The bill is open to further amendment.

Mr. WILLIAMS of Delaware. Mr. President, there are one or two more points that I think should be called to the attention of the Senate in connection with this bill.

Earlier this year, not as a part of this bill, Congress raised the salaries for Members of Congress around 40 percent. I opposed that action, but that raising of our salaries automatically had the indirect effect of raising the pensions also. There are provisions in title 2 of the pending bill which increase the pension benefits of all Government employees, including our own, by approximately another 10 percent. I question whether or not that can be justified in the light of the existing circumstances involving the solvency of the civil service retirement fund.

As far as title I of the pending bill is concerned, I support that provision. It provides a new method of restoring some degree of financial responsibility. Title II of the pending bill, however, provides for these increased pensions.

First: It provides that instead of computing our pensions based upon the highest 5 years we compute them upon the highest 3 years. This is the mathematical equivalent of an approximate 10-percent increase in the retirement benefits of many Government employees who will be retiring in the next 2 years.

Second: another provision adds 1 percent to the cost-of-living-increase formula now in the law for annuitants. Under the existing law as the cost of living increases those annuitants who have retired under existing law receive by Executive order an automatic increase in their pensions to offset the increase in cost of living. For example, if the cost of living increases 3 percentage points for 3 consecutive months during the year the pensions of Government employees is increased proportionately.

As a result we have had, I think, three 3.9 percent increases that have been approved or are about to be approved up to this point. I think the previous increases averaged about 3.9 percent.

Under the pending bill, in addition to this escalator clause which would guarantee Government retirees protection against any of the ravages of inflation, the bill would add an additional 1 percent each time this 3 percent increase occurs. Mathematically this means that if the cost of living from now on increases 3 percent a year the pensions will

be increased by 4 percent. If we were to have three more consecutive increases in the next 3 years it would mean that instead of raising the pensions 9 percent to offset the increase in the cost of living over the 3 years we would be raising them by 12 percent.

In other words, retired Government employees would get an additional 25 percent above the normal increase in the cost of living.

Under this bill we would be guaranteeing to ourselves in Congress, along with all of the Government employees, that from now on, not only would we, through our own pensions be guaranteed against the ravages of inflation but also we would be making a 25-percent profit in our retirement pay as the result of future increased cost of living.

It does not make any sense to me that we in Government, who to a large extent are responsible for the inflation, would consider a bill where we actually make money on inflation. Other retirees under private, State, teachers, and firemen pension funds are not guaranteed that protection against inflation. Certainly in social security they have no such guarantee. However, under this bill it is proposed that we guarantee not only that we will receive a perpetual escalator clause against the ravages of inflation but also that we will make 25 percent more than the increase in the cost of living itself. That means, as far as we are concerned, that if we can create a little more inflation we will collect a premium on it.

This is an outrageous proposal. I do not think it can be justified. Certainly that if we are going to put in an escalator clause the first place to consider putting it would be on social security, for the benefit of those with lower pensions.

I think that all of the so-called increases intended for the benefit only of those of us who are fortunate enough to have been working for the Government should be deleted and that we should confine the pending bill solely to the purpose for which it was intended; and that is, to restore some degree of financial responsibility to the retirement fund.

The fund already has an actuarial deficit in excess of \$50 billion, and title I of the pending bill proposes to reduce that deficit somewhat by starting out with approximately a \$275 million appropriation from general revenue, not this fiscal year but next fiscal year, then with graduating increases for about 10 years when, as I understand it, it will approach an annual appropriation of \$2 billion that will be restored to the fund.

We are dealing with a program here that will cost a great deal of money anyway, and I think that we ought at least not make it a necessary part of the pending bill that we have to extend additional benefits to ourselves. I think they should be separated in their entirety and that we should let Title I of the bill go to the President.

I do not think Congress can justify these increases.

Mr. President, for that reason, I move to strike from the bill beginning on page 8 that part of title II beginning with line 5 down to and including line 14 on page 14.

(The language proposed to be stricken is as follows:)

TITLE II—CIVIL SERVICE RETIREMENT BENEFITS

SEC. 201. Paragraph (4) (A) of section 8331 of title 5, United States Code, is amended to read as follows:

"(A) over any 3 consecutive years of creditable service or, in the case of an annuity under subsection (d) or (e) (1) of section 8341 of this title based on service of less than 3 years, over the period of service; or".

SEC. 202. Subsection (g) of section 8334 of title 5, United States Code, is amended—

(1) by striking out the word "or" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and the word "or"; and

(3) by adding the following new paragraph immediately below paragraph (4):

"(5) days of unused sick leave credited under section 8339(m) of this title."

SEC. 203. Section 8339 of title 5, United States Code, is amended—

(1) by striking out of subsection (b) the words "so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years" and inserting in lieu thereof "his service as a Congressional employee, his military service not exceeding 5 years,";

(2) by amending subsection (c) (2) to read as follows:

"(2) his Congressional employee service;";

(3) by striking out the last full sentence of subsection (f);

(4) by striking out "(excluding any increase because of retirement under section 8337 of this title)" in subsection (i); and

(5) by adding at the end thereof the following new subsection:

"(m) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or does leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter."

SEC. 204. (a) Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting "1 percent plus" immediately after the word "by."

(b) Subsection (c) (2) of such section is amended to read as follows:

"(2) For the purpose of computing the annuity of a child under section 8341(e) of this title that commences on or after the first day of the first month that begins on or after the date of enactment of the Civil Service Retirement Amendments of 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 8341(e) of this title shall be increased by the total percent increases allowed and in force under this section on or after such day and, in case of a deceased annuitant, the items 60 percent and 75 percent appearing in section 8341(e) of this title shall be increased by the total percent allowed and in force to the annuitant under this section on or after such day."

SEC. 205. The provisions of subsections (b) (1), (d) (3), and (g) of section 8341 of title 5, United States Code, also shall apply in the case of any widow or widower—

(1) of an employee who died, retired, or was otherwise finally separated before July 18, 1966;

(2) who shall have remarried on or after such date; and

(3) who, immediately before such remarriage, was receiving annuity from the Civil Service Retirement and Disability Fund;

except that no annuity shall be paid by reason of this section for any period prior to the enactment of this section. No annuity shall be terminated solely by reason of the

enactment of this section. Notwithstanding the prohibition contained in the first sentence of this section on the payment of annuity for any period prior to the enactment of this section, in any case in which the Civil Service Commission determines that—

(1) the remarriage of any widow or widower described in such sentence was entered into by the widow or widower in good faith and in reliance on erroneous information provided by Government authority prior to that remarriage that the then existing survivor annuity of the widow or widower would not be terminated because of the remarriage; and

(2) such annuity was terminated by law because of that remarriage;

then payment of annuity may be made by reason of this section in such case, beginning as of the effective date of the termination because of the remarriage.

SEC. 206. (a) The first sentence of subsection (d) of section 8341 of title 5, United States Code, is amended to read as follows:

"If an employee or Member dies after completing at least 18 consecutive months of civilian service, the widow or dependent widower of the employee or Member is entitled to an annuity equal to 55 percent of an annuity computed under section 8339 (a)–(e) and (h) of this title as may apply with respect to the employee or Member, except that in the computation of the annuity under such section, the annuity of the employee or Member shall be at least the smaller of (i) 40 percent of his average pay, or (ii) the sum obtained under such section after increasing his service of the type last performed by the period elapsing between the date of death and the date he would have become 60 years of age."

(b) Subsection (e) (1) of such section is amended to read as follows:

"(e) (1) If an employee or Member dies after completing at least 18 consecutive months of civilian service, or an employee or Member dies after retiring under this subchapter, and is survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

"(A) 60 percent of the average pay of the employee or Member divided by the number of children;

"(B) \$900; or

"(C) \$2,700 divided by the number of children; subject to section 8340 of this title. If the employee or Member is not survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

"(i) 75 percent of the average pay of the employee or Member divided by the number of children;

"(ii) \$1,080; or

"(iii) \$3,240 divided by the number of children; subject to section 8340 of this title."

SEC. 207. Section 8345 of title 5, United States Code, is amended by adding at the end thereof the following new subsection:

"(f) An amount, not to exceed \$3,000 each year, which is received by an annuitant or a survivor annuitant under this subchapter and, except for this subsection, which would be included as gross income for purposes of the Federal income tax laws, shall not be included as gross income under such laws."

SEC. 208. (a) The amendments made by sections 201, 202, 203, and 206(a) of this Act shall not apply in the cases of persons retired or otherwise separated prior to the date of enactment of this Act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if such sections had not been enacted.

(b) The amendments made by section 204 (a) of this Act to section 8340 of title 5, United States Code, shall apply only to annuity increases which become effective under such section 8340 after the date of enactment of this Act.

(c) (1) The amendment made by section 206(b) of this Act shall become effective on the first day of this first month which begins on or after the date of enactment of this Act.

(2) The annuity of each surviving child receiving an annuity under section 8341(e) of title 5, United States Code, or comparable provision of a prior law, immediately prior to the effective date of such amendment shall be recomputed, effective on such date, in accordance with such amendment. No increase allowed and in force prior to such date under section 8340 of such title shall be included in the recomputation of any such annuity, and this paragraph shall not operate to reduce any annuity.

Mr. COTTON. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. COTTON. Mr. President, if I correctly understand what the Senator from Delaware has just said, his chief objection is to changing the 5-year period to 3 years in the calculation of the pension.

Mr. WILLIAMS of Delaware. And I also object to the 1 percent escalation clause.

Mr. COTTON. Referring to the first subject first, I might have a good deal of sympathy with the Senator's opposition as far as Members of the Senate and House of Representatives are concerned. However, there are others to be considered.

I think one of the tragedies of our situation here is the fact that when a Member of Congress dies, retires, or is defeated for reelection and his service suddenly terminates, the impact falls on his staff and employees.

We have all seen that while many of the staff members and employees readily find new employment with other Members, there have been many instances of hardship worked through the years on our faithful staff members who find themselves out of employment and unable to make new arrangements. At least, they are not able to make them without a lapse of time between their periods of employment. That seriously affects the continuity of their service and their retirement benefits.

It would seem to me that there is certainly a big distinction between the three-year period—and that is all I am addressing myself to here—for members as against staff and other employees who are subject to the hazards of a sudden severance from their jobs by reason of the death, retirement, or other ending of the service of the Member whom they are serving.

I cannot see my way clear to supporting the Senator's motion for that main reason. If the Senator's motion affected only Members of Congress, I might have sympathy with it and I might be able to support it. However, I think we owe something to those faithful people who have served us through the years.

Mr. WILLIAMS of Delaware. Mr. President, the Senator from New Hampshire makes a point, and I appreciate his position. He is correct. There is insecurity involved for the staff members of Members of Congress; however, on the other hand, that is somewhat offset by virtue of the fact that employees of Congress traditionally draw higher salaries for comparable jobs than is the

case in other branches of the Government civil service or in private industry.

That is necessary if we are to get competent help. When the employees come here they know there is no security involved in their jobs.

Mr. COTTON. And they work much longer hours than the people downtown. I think they earn what they get.

Mr. WILLIAMS of Delaware. I am not questioning that. I agree fully. As one who has been very fortunate in having as competent a staff as any other Member of the Senate I certainly join the Senator in paying tribute to our staffs. However, on the other hand, we are dealing with a bill that not only affects staff members and Members of Congress but also affects the executive branch as well. I think we should handle it all in one related term.

I would have no objection if we could stop on page 10, line 3, and leave in the bill all the modifications they made on the survivorship benefits.

But so far as the first part of it, dealing with the 3-year formula, which raises pensions by nearly 10 percent, and the escalating clause where retirees would actually make money on inflation, I think that certainly should be deleted. I would want to make it clear to the Senator from New Hampshire that this change still would not correct the point that he raised, because the point dealing with legislative employees, which he raised, would be in the part I would still be deleting.

Mr. President, in order to condense this issue to just these two major increases I am going to change my motion to strike out beginning on page 8, line 5, down to and including line 17 on page 10.

The ACTING PRESIDENT pro tempore. The clerk will state the proposed amendment.

The ASSISTANT LEGISLATIVE CLERK. The Senator from Delaware proposes to strike the language beginning at page 8, line 5, down through line 17, on page 10.

The language proposed to be stricken is as follows:

TITLE II—CIVIL SERVICE RETIREMENT BENEFITS

SEC. 201. Paragraph (4) (A) of section 8331 of title 5, United States Code, is amended to read as follows:

"(A) over any 3 consecutive years of creditable service or, in the case of an annuity under subsection (d) or (e) (1) of section 8341 of this title based on service of less than 3 years, over the period of service; or"

SEC. 202. Subsection (g) of section 8334 of title 5, United States Code, is amended—

(1) by striking out the word "or" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and the word "or"; and

(3) by adding the following new paragraph immediately below paragraph (4):

"(5) days of unused sick leave credited under section 8339(m) of this title."

SEC. 203. Section 8339 of title 5, United States Code, is amended—

(1) by striking out of subsection (b) the words "so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years" and inserting in lieu thereof "his service as a Congressional employee, his military service not exceeding 5 years,";

(2) by amending subsection (c) (2) to read as follows:

"(2) his Congressional employee service;";

(3) by striking out the last full sentence of subsection (f);

(4) by striking out "(excluding any increase because of retirement under section 8337 of this title)" in subsection (1); and

(5) by adding at the end thereof the following new subsection:

"(m) In computing any annuity under subsections (a)–(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter."

SEC. 204. (a) Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting "1 percent plus" immediately after the word "by".

(b) Subsection (c) (2) of such section is amended to read as follows:

"(2) For the purpose of computing the annuity of a child under section 8341(e) of this title that commences on or after the first day of the first month that begins on or after the date of enactment of the Civil Service Retirement Amendments of 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 8341(e) of this title shall be increased by the total percent increases allowed and in force under this section on or after such day and, in case of a deceased annuitant, the items 60 percent and 75 percent appearing in section 8341(e) of this title shall be increased by the total percent allowed and in force to the annuitant under this section on or after such day."

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. HOLLAND. In looking at this amendment, it seems to me that it cuts two provisions which I think are quite sound, and I want to ask the distinguished Senator if this is not true.

First, it cuts the provision that allows credit for days of unused sick leave. Am I correct?

Mr. WILLIAMS of Delaware. The Senator is correct.

Mr. HOLLAND. What is the justification for cutting that out?

Mr. WILLIAMS of Delaware. I just said that the main purpose of this bill, as I see it, was to restore some semblance of fiscal responsibility to the retirement fund. Title I does that. I have eliminated those changes dealing with proposed pension increases in sections 205 and 206, and of course we have already stricken 207. Perhaps each one of these could be debated, but I think we should not consider the liberalization of these pensions as proposed in this bill.

I understand that the increased benefits under this section which we are dealing with here involve approximately a billion-dollar difference in the actuarial deficiency of the retirement fund. I do not think this is the time to approve a billion-dollar increase in retirement benefits. Congress this year has already enacted salary increases for top executives and Members of Congress, ranging from 40 to 60 percent. That was wrong; but now why increase pensions as proposed in this bill?

That is my personal position, and I will ask, Mr. President, at the appropriate time for a record vote.

I respect the views of the various Members. As I pointed out to the Senator from New Hampshire, I do not want to leave this misunderstood. The points he raised are not taken care of in this modification of my amendment.

Mr. COTTON. I thank the Senator.

Mr. HOLLAND. I notice that included in the parts to be stricken is one part that is not a liberalization. It begins on line 1, page 9, and goes down through line 6. It has to do with how much of the military service an employee or a member shall be allowed in the computation. As I understand the provision, it proposes to reduce the number of years of military service allowed—from 15 to 5 years. That certainly is not a liberalization. Quite the contrary, it is an economy measure.

May I ask whether the Senator has considered the fact that his amendment also covers that particular feature?

Mr. WILLIAMS of Delaware. I have. As I pointed out in answer to the question with respect to the unused leave, I do not think we should deal with any of those factors so far as this bill is concerned. I intentionally included the ones which the Senator refers to, and I realize that he is correct in his analysis of that, too.

Mr. HOLLAND. I thank the Senator for his frankness. It seems to me that his amendment goes a good deal further than his intention, and I could not vote for it in the form that it is presented.

Mr. WILLIAMS of Delaware. I appreciate it. It is not further than I intended. Perhaps it does go further than some would think it should. But the basic 90 percent, or more than 90 percent, of what is involved in this motion, in dollar volume, is all in the change in the formula with respect to the computation of the annuities or the escalating clauses as a result of inflation.

My feeling is that at a time when we are dealing with the problem of inflation, it is not a time when we can afford to liberalize pensions. Unless we take prompt action the entire fund itself will be insolvent in a matter of a few years.

I support the provisions of title I. On the other hand, I do not think these large increases in pensions for Members of Congress and others can be justified. For that reason, I hope this amendment will be agreed to.

Mr. McGEE. Mr. President, I hope the Senate will not accept the pending amendment, and I would like to suggest why I feel that way.

The Committee on Post Office and Civil Service was also very conscious of the cost factor and was even hesitant about the cost of putting the fund on a sound financial basis. But we believe you have to start being honest sometime with the established fund for civil service retirement and that the time to begin is now. It was not an easy decision; it was not a happy decision; but we would like to think it was a little bit statesmanlike.

We likewise believe that in that process, as we make that fund solvent, we also ought to assist the annuitants themselves in remaining solvent, and that this, too, is a good reason for that program. Our very modest adjustments and modifications and changes in policy in regard

to civil service retirees fall into that category.

I would say to my friend the Senator from Delaware that in arriving at this decision, the committee raised the contributions in each category to more than pay for the accruing benefits. It comes out to a 14-percent increase in the contribution and 13.9-plus percent of new funds that are required under the benefits that were added in the bill. We were very conscious of this point.

So I think we would do well to weigh very carefully the elements in title II that the Senator is proposing to strike, the high three; the sick leave allowance toward retirement; the annuities for children that we are proposing to raise from \$61 to \$75 a month, so that they can live it up in great affluence; and the 1 percent that we add to the 3 percent cost-of-living adjustment—that is already the law—which is only aimed at atoning for the remaining inequity there. That remaining inequity is that by the time the annuitant gets the 3 percent, it is already 5 or 6 months later, after the reading was taken. It was felt that it was only fair and just to add that 1 percent, so that by the time he got it, in the direction that things are now moving, he would almost be catching up with the cost of living.

I say it is unusual language for the Senate to suggest that we want to ignore the needs of the one group that suffers first and most from inflationary forces. Here is the group which has no other recourse except for the endeavors in this body. They have no other place to turn. They cannot receive a salary increase or a salary adjustment without us. We are trying to make it possible for them to survive these rising costs. In an extremely modest way, this is what we have tried to do with this 1 percent.

With regard to Members of Congress, it becomes picayunish when we single out Members of Congress every time one of these measures comes up. We are Federal employees and the moment one group is selected over another group the stage is being set for the next group, the next, and the next. It is far more simple in terms of total money, it was far more equitable, and more fundamental to quit trying to nitpick with respect to groups. We explored this possibility and decided that was not wise legislation.

I do not want the Senator from Delaware to leave the impression here that the committee did not worry about these matters at all. In our collective judgment, which was unanimous, we felt this was the most reasonable balance we could achieve, and it is a good balance, and still stay within the confines of our determination to be responsible about it in terms of fiscal responsibility.

I hope this body will reject the pending amendment of the Senator from Delaware.

Mr. FONG. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. FONG. Is it not true that if we adopt the amendment of the distinguished Senator from Delaware we would be forcing the employee to add one-half percent to his retirement without giving him any more benefits?

Mr. McGEE. Indeed, the Senator is correct. That would be the net effect. They would get nothing for that increase.

Mr. FONG. And for congressional employees, we are raising them 1 percent, from 6.5 to 7.5 percent, and they would not get anything.

Mr. McGEE. The Senator is correct.

Mr. FONG. Members of Congress would be increased to 8 percent. Is that correct?

Mr. McGEE. This measure proposes to raise Members of Congress to 8 percent.

Mr. FONG. The reason for raising these percentages is to cover a sufficient amount of money so we can give them the added benefits the Senator from Delaware would knock out. Is that correct?

Mr. McGEE. The Senator is correct.

Mr. FONG. And even with these increases we are 0.02 percent below the total amount that will be contributed by the employee and the employer.

Mr. McGEE. That is correct. This is right to the point on the issue raised by the Senator from Delaware, who has an understandable and legitimate concern about fiscal responsibility in our country, and rising costs. That is why the committee did what it did.

Mr. FONG. The committee also raised the contribution and that is why we raised it.

Mr. McGEE. We raised the contribution to just a bit more than to cover benefits.

Mr. HOLLAND. Mr. President, will the Senator yield?

Mr. McGEE. I yield.

Mr. HOLLAND. Assuming that when we raised the level of pay for employees of the Government we did so because of increased living costs, is it not practical to base the amount upon which the retirement is figured upon the greatest 3 years, which would be the last 3 years, rather than on 5 years, which takes the period back to a time of much lower living costs?

Mr. McGEE. That is correct.

Mr. HOLLAND. In other words, putting it on a 3-year basis, retirement is figured more nearly on the current living costs. Is that correct?

Mr. McGEE. The Senator is correct.

Mr. HOLLAND. It is more nearly up with present living costs than on a 5-year base?

Mr. McGEE. The Senator is correct.

Mr. HOLLAND. I congratulate the Senator and the committee for recognizing that fact which to me seems entirely practical and just.

Mr. McGEE. I thank the Senator for his comments. I yield the floor.

Mr. President, I am ready to vote.

Mr. WILLIAMS of Delaware. Mr. President, I ask for the yeas and nays.

The yeas and nays were ordered.

Mr. WILLIAMS of Delaware. Mr. President, I am willing to proceed to a vote in just a moment.

The Senator from Wyoming pointed out that raising the one-half percent contribution by employees finances the increased benefits under the pending bill. The Senator is correct to that extent. Title I of the bill does raise the cost of the retirement system to those who are now civil service employees by, I

would guess, approximately the amount of the benefits.

However, the point I make is that this increases in the deductions from the payroll checks of the employees for the retirement system was intended to offset some of the benefits Congress has been passing in years heretofore. For years Congress has been liberalizing the retirement benefits without providing methods of financing. I have raised this point many times when we were acting on such legislation in the past. Let us not forget, pensions have already had one increase as the result of the salary increases earlier this year.

Congress has enacted several increases in the benefits in the retirement system which were not financed over the years. That is the reason the retirement fund is not solvent. The deficiency is around \$50 billion to \$55 billion.

Let no one be disillusioned. The deficiency created in the liberalizations enacted by previous Congresses is at the expense of the American taxpayers.

Under title I of this bill, beginning next year, we start with \$275 million, and that graduates up to a couple billion dollars that will be paid into the fund annually. These will be appropriated funds that will be paid by taxpayers, so we are not dealing with increased pensions which will be financed by employees themselves. It will not be financed on the formula which was recognized first where the employees' contribution would be 6.5 percent and the Government, as the employer, would match it with 6.5 percent. This bill goes far beyond the matching provision, and the ultimate end is that taxpayers will be financing the appropriations—about \$2 billion from general revenue.

Financing Government pensions from general revenue is a drastic change from what was intended when this retirement system was first established.

I question whether we have any right at this time to saddle the American taxpayers with this extra \$2 billion annual cost to finance a retirement system which will extend to Government employees and Government employees alone a guarantee that once they retire not only will their pensions be guaranteed against any ravages of future inflation, but also they will actually make a 25-percent profit on all inflation that develops after retirement. I do not think such a provision can be justified any more than we can justify the other section of the bill which grants a 10-percent increase in retirement benefits.

For that reason I hope the section is deleted from the bill.

Mr. SPONG. Mr. President, the findings and conclusions of the Committee on Post Office and Civil Service with respect to the \$3,000 income tax exemption are basically logical and fair. Neither social security nor railroad retirement is subject to the Federal income tax, and since many of those annuitants are among those 65 years old and older and already are receiving a double exemption, it seems clearly equitable to exempt a reasonable portion of the civil service retirement annuities from Federal taxation.

It is my hope that such an exemption will be brought before the Senate in an acceptable form as soon as possible.

Mr. President, I have shared the concern of many Federal employees with respect to the financing of the civil service retirement fund. It has been my feeling that Congress should face up to this problem and take no further actions to deplete the fund until some method has been devised to stabilize it.

I commend the members of the Post Office and Civil Service Committee for their efforts to provide a solution to the problems which have resulted from increased retirement benefits and other actions in the past that have created an unfunded liability without any method of payment into the fund for these liabilities.

The provisions of title I, which provide for annual payments to the fund and for increased contributions, should be helpful in our efforts to stabilize the fund.

The older citizens of our country have a difficult time making ends meet. As a group, those over 65 have a higher poverty rate than any other age group. Low income is a major concern to them, and their savings, pensions, and similar assets are eroded swiftly by inflation and the rising cost of living. Retired employees of the Federal Government are not exempt from these acute economic problems that affect the elderly, and I think the Government has a responsibility to its employees who have labored long and faithfully in its service.

I am glad to support the bill.

Mr. COOK. Mr. President, there was a provision of the bill which puzzled me—one adding 1 percent to the 3 percent cost-of-living increases—although I supported the benefits and cost-of-living increases.

I heartily support the bill and announce that I shall vote "yea."

Mr. WILLIAMS of Delaware. Mr. President, I am ready to vote.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Delaware (Mr. WILLIAMS). On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. KENNEDY. I announce that the Senator from New Mexico (Mr. ANDERSON), the Senator from Indiana (Mr. BAYH), the Senator from North Dakota (Mr. BURDICK), the Senator from Nevada (Mr. CANNON), the Senator from California (Mr. CRANSTON), the Senator from North Carolina (Mr. ERVIN), the Senator from Tennessee (Mr. GORE), the Senator from Alaska (Mr. GRAVEL), the Senator from Oklahoma (Mr. HARRIS), the Senator from Hawaii (Mr. INOUE), the Senator from North Carolina (Mr. JORDAN), the Senator from Minnesota (Mr. MCCARTHY), the Senator from Arkansas (Mr. McCLELLAN), the Senator from New Hampshire (Mr. McINTYRE), the Senator from New Mexico (Mr. MONTOYA), the Senator from Utah (Mr. MOSS), the Senator from Maine (Mr. MUSKIE), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Georgia (Mr. RUSSELL), the Senator from Maryland (Mr. TYDINGS), and the Sena-

tor from Texas (Mr. YARBOROUGH) are necessarily absent.

I also announce that the Senator from Michigan (Mr. HART), the Senator from Iowa (Mr. HUGHES), the Senator from Washington (Mr. MAGNUSON), and the Senator from Washington (Mr. JACKSON) are absent on official business.

I further announce that, if present and voting, the Senator from Washington (Mr. JACKSON), the Senator from California (Mr. CRANSTON), the Senator from Maryland (Mr. TYDINGS), the Senator from Texas (Mr. YARBOROUGH), the Senator from Indiana (Mr. BAYH), the Senator from West Virginia (Mr. RANDOLPH), the Senator from Nevada (Mr. CANNON), and the Senator from Iowa (Mr. HUGHES) would each vote "nay."

Mr. GRIFFIN. I announce that the Senator from Oklahoma (Mr. BELLMON), the Senator from Utah (Mr. BENNETT), the Senator from Colorado (Mr. DOMINICK), the Senator from Arizona (Mr. FANNIN), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. MURPHY), the Senator from Illinois (Mr. SMITH), the Senator from Alaska (Mr. STEVENS), the Senator from Ohio (Mr. SAXBE), and the Senator from South Carolina (Mr. THURMOND) are necessarily absent.

The Senator from Texas (Mr. TOWER) is detained on official business.

If present and voting, the Senator from Oklahoma (Mr. BELLMON), the Senator from Utah (Mr. BENNETT), the Senator from Arizona (Mr. FANNIN), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. MURPHY), the Senator from Alaska (Mr. STEVENS), the Senator from Ohio (Mr. SAXBE), the Senator from South Carolina (Mr. THURMOND), and the Senator from Texas (Mr. TOWER) would each vote "nay."

The result was announced—yeas 8, nays 56, as follows:

[No. 111 Leg.]

YEAS—8

Aiken
Baker
Cook

Curtis
Hansen
Packwood

Williams, Del.
Young, Ohio

NAYS—56

Allen
Allott
Bible
Boggs
Brooke
Byrd, Va.
Byrd, W. Va.
Case
Church
Cooper
Cotton
Dodd
Dole
Eagleton
Eastland
Ellender
Fong
Fulbright
Goldwater

Goodell
Griffin
Gurney
Hartke
Holland
Hollings
Hruska
Javits
Jordan, Idaho
Kennedy
Long
Mansfield
Mathias
McGee
McGovern
Metcalfe
Miller
Mondale
Mundt

Nelson
Pastore
Pearson
Pell
Percy
Prouty
Proxmire
Ribicoff
Scott
Schwelker
Smith, Maine
Sparkman
Spong
Stennis
Symington
Talmadge
Williams, N.J.
Young, N. Dak.

NOT VOTING—36

Anderson
Bayh
Bellmon
Bennett
Burdick
Cannon
Cranston
Dominick
Ervin
Fannin
Gore
Gravel

Harris
Hart
Hatfield
Hughes
Inouye
Jackson
Jordan, N.C.
Magnuson
McCarthy
McClellan
McIntyre
Montoya

Moss
Murphy
Muskie
Randolph
Russell
Saxbe
Smith, Ill.
Stevens
Thurmond
Tower
Tydings
Yarborough

So the amendment of Mr. WILLIAMS of Delaware was rejected.

The ACTING PRESIDENT pro tempore. The bill is open to further amendment.

If there be no further amendment, the question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time.

The bill was read the third time.

Mr. McGEE. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of Calendar No. 334, H.R. 9825.

The ACTING PRESIDENT pro tempore. The bill will be stated by title.

The ASSISTANT LEGISLATIVE CLERK. A bill (H.R. 9825) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

The ACTING PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. McGEE. Mr. President, I move to strike out all after the enacting clause and insert in lieu thereof the text of S. 2754, as amended.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion of the Senator from Wyoming.

The motion was agreed to.

Mr. WILLIAMS of Delaware. Mr. President, I shall vote against the bill. As I stated earlier, I think title I, restoring some degree of solvency to the retirement fund, was necessary, and I would like to support it; however, I do not think that we should at this time increase retirement benefits for all Government employees an average of about 10 percent, as is done under the bill as a result of the change in the formula.

The second point is that under the bill it is guaranteed to all retired Government employees that, from this day forward, not only will their pensions be protected against the ravages of inflation but also that Government employees will actually make 25 percent on the inflation that develops from the day they retire. That is, as the cost of living goes up 3 percent, the retirement benefits will increase 3 percent plus 1 percent, which means the benefits will increase 4 percent for every 3-percent increase in the cost of living. It is an escalation clause which means that from now on Government employees—including ourselves and those in the executive department who are responsible for inflation—will actually make money. The more inflation we have the more retirement benefits we will get because the bill guarantees that never again, as we retire from this day forward, will we have to worry about the ravages of inflation.

Government employees, alone of all the American people, will now be guaranteed that their pensions will never be adversely affected by inflation. Not only that, they will make 25 percent on inflation because the pensions of Government employees will increase 25 percent faster than the cost of living.

I think it is an outrage that the Congress would adopt such a provision and ask it be supported, as it does, by the American taxpayer to the tune of \$2 bil-

lion a year from general revenue. That will be the cost to the taxpayers.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the amendment in the nature of a substitute.

The amendment was agreed to.

The ACTING PRESIDENT pro tempore. The question now is on the engrossment of the amendment and third reading of the bill.

The amendment was ordered to be engrossed, and the bill to be read a third time.

The bill (H.R. 9825) was read the third time.

Mr. GOLDWATER. Mr. President, I would like to ask the Senator from Delaware a question. If it is in the hearings, the Senator can tell me, and I will look it up, but I have not found it.

It was my understanding a few years ago that the civil service retirement fund was not in good shape.

Mr. WILLIAMS of Delaware. That is correct. There is an actuarial deficiency in excess of \$50 billion.

Mr. GOLDWATER. \$50 billion?

Mr. WILLIAMS of Delaware. Yes; and that is due to the fact that over the years since Congress established the rate of deductions from the employees, back about 20 years ago, Congress has liberalized the benefits for civil service retirees without increasing the deductions or the payments into the fund.

A part of the deficiency has also resulted from the fact that for a number of years the Government itself did not put into the fund the matching money against the deductions of the employees, and to that extent the deficiency is, in my opinion, an obligation of the U.S. Government.

But on a matching basis of 6.5 percent from the employees and 6.5 percent from the Government as the employer, that 13 percent will pay only about one-half of the benefits that are now provided under the civil service retirement system, which means that this bill, recognizing that fact, provides for direct appropriations from general revenue in addition to the deductions beginning with \$278 million a year next year, and the figure will escalate until it reaches an annual total of \$2 billion a year. From then on it remains at approximately that figure of direct taxes paid into the fund under the provisions of this bill. It could even grow somewhat higher so that each year the taxpayers will be called upon to pay taxes to the extent of about \$2 billion a year to support benefits under the civil service retirement system which are not being paid for by the employees and the Government on a matching basis.

I do not think that was right. I support the sections of title I which would provide the method of financing this fund by increased deductions. I think that was a long overdue recognition of the situation that exists, but I do not agree that at the same time we should increase the benefits further. According to the estimate that was given to me, the increased benefits that the committee would provide under this bill will add another \$1 billion to the actuarial deficiency.

The Senator from Wyoming very properly pointed out that the increased benefits under this measure, for the first time under a civil service retirement bill, are being financed by increased deductions from the payroll checks of the employees. But the point I made was that these new increases in deductions should be used, not to pay new benefits such as are before the Senate today, but to cover the cost of benefits which have been approved by preceding Congresses in the past 15 years and which were not properly financed at the time.

Now we are starting all over again to create another deficiency in the civil service retirement fund.

Mr. GOLDWATER. In view of that statement, I should like to ask the Senator another question. If we follow the procedures outlined or suggested in this bill, we offset the attempt to bring the retirement fund into actuarial soundness and continue the same problem; am I correct in that?

Mr. WILLIAMS of Delaware. That is correct, except that they propose to correct that problem in this manner: by tapping the Federal Treasury to the extent of \$2 billion a year. I just do not think that we have a right at this time to call on the American taxpayers, who are having enough to do to pay their taxes and to provide for their own retirement, to pay another \$2 billion per year to support the retirement benefits of Government employees.

I believe in a sound retirement system. I was on the committee the first few years after I came here and had something to do with writing the present retirement system. We are proud of it. I remember the then Senator from Maryland, Mr. O'Connor, took a very active part at that time, and we worked out and finally reported a bill which was reasonably actuarially solvent in that the contributions of the employees when matched by those of the Government would keep it on a solvent basis.

Unfortunately over the years, year by year, Congress has liberalized the benefits without increasing the employee contributions, with the result that we have built up this tremendous deficiency in the retirement fund, such that if no action were taken at all it is estimated that within about 10 or 12 years the fund would be bankrupt.

Certainly we cannot allow that. But I felt that the provisions that would provide for increasing the contributions to make the fund solvent should have been kept and used for that purpose, rather than to start this same "escalation clause" of increasing our benefits all over again. I do not think we can justify by any means here today raising the retirement benefits for Government employees by about 10 percent by changing the formula from the 5-year to the 3-year formula. Nor can we justify adding another section to guarantee that, in perpetuity, a retired Government official will never again have to worry about the ravages of inflation by actually getting a 25-percent increase over the degree of inflation as it goes along. In other words, we would collect a 25-percent premium on inflation. I think it is outrageous that

Congress would ever propose such a measure. It was for that reason I tried to delete those provisions from the bill. I was unsuccessful, and I shall vote against the bill.

Mr. GOLDWATER. One further question, and then the Senator will have satisfied my lack of knowledge.

The Senator says the fund is now \$50 billion in the red, and that, if we had not provided in section 1 means to offset that, it would have meant bankruptcy of the fund, probably, in 10 years.

My question is, in view of the fact that the increases in benefits offset some of the other increases, have we absolutely guaranteed that there will never be a time when the fund is bankrupt?

Mr. WILLIAMS of Delaware. To a large extent this bill does that in this manner; the bill provides unlimited authority to tap the Federal Treasury and let the taxpayers keep it solvent.

Mr. GOLDWATER. I thank the Senator.

Mr. WILLIAMS of Delaware. The committee frankly admits in its estimate that such contributions from the Treasury will be at the rate of \$2 billion a year when it becomes fully operative.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. CURTIS. I should like to state that the junior Senator from Nebraska is of the opinion that there are probably many individual cases where the record is such that they merit and deserve the provisions of this bill. There is another matter that disturbs me, however, and that is the total impact of the bill, and the total cost of it is, at a time when our budget, as far as general funds are concerned, is at a deficit, and it appears that it will be that way for some time.

I am also mindful of the restraints placed upon the people who are not associated with the Federal Government. They are asked to hold the line. I do not believe that private pensioners, in the main, have the liberality that we extend to Government pensioners. I believe that the social security program has fallen behind the overall benefits of the civil service.

Would the Senator agree that while many provisions in the bill may be desirable, or many provisions that certain individuals or groups merit and deserve, now is a bad time to make a sizable financial commitment that will run for all time and from which there can be no retreat?

Mr. WILLIAMS of Delaware. I certainly would. I think that to take this step now is poorly advised. That is why I cannot support the bill in its present form. I want the Record to show that I do not support this provision. It was for that reason that I tried to delete these liberalization provisions from the bill, but that amendment was overwhelmingly defeated.

Mr. COOPER. Mr. President, will the Senator from Delaware yield?

Mr. WILLIAMS of Delaware. I yield.

Mr. COOPER. The Senator stated that in the future the liberalized benefits would be paid by increased deductions

from the compensation of employees. Is that correct?

Mr. WILLIAMS of Delaware. There are increased deductions from the employees provided for in this bill which would about offset the liberalized features of the bill; that is true. But I take the position that the increased contributions should have been directed toward correcting some of the present insolvency of the retirement fund rather than unloading that burden on the taxpayers. That is the point I make. To call upon the taxpayers to shoulder this burden cannot be justified.

Mr. COOPER. The Senator spoke about an automatic cost-of-living increase. Would that be provided by increased deductions from employees' pay?

Mr. WILLIAMS of Delaware. No; future increases would be financed automatically out of the Federal Treasury. The bill provides that as the increases become effective the obligations of the Federal Treasury will be increased in proportion. So to that extent it could be said that future increases will be financed by the taxpayers.

Mr. COOPER. The Senator said, as I understood him, that the actuarial deficit would reach about \$50 billion in 10 years.

Mr. WILLIAMS of Delaware. That is the deficit now.

Mr. COOPER. As I remember, in previous years the Senator from Delaware urged that the deficit should be corrected. What would happen with respect to the thousands of employees who have retired and whose deductions were of the amounts required of them during their service? I think it is obvious that they could not live on those amounts now. Am I correct?

Mr. WILLIAMS of Delaware. The Senator is correct. I would support title I of the pending bill under which that deficiency is corrected and a guarantee extended to those who have retired that the pension fund will be solvent for the remainder of their lives.

I think the committee should be commended on that point. It is a long overdue recognition of the insolvency of this retirement fund. Sooner or later Congress will have to face up to the fact that the fund is approaching the day of insolvency.

I support the committee's action under title I wherein it raises the contribution rates for both employees and the Federal Government as the employer.

Mr. COOPER. Mr. President, will the Senator state whether from this time forward, if the bill should be enacted into law, the deductions would be sufficient—and no one can tell, but I mean from an estimate standpoint—to pay the benefits that must be paid. Assuming that there had been no deficit in the past and looking at the matter as if we were starting on it now, would the fund be solvent without the help of the taxpayers funds?

Mr. WILLIAMS of Delaware. It would not under this pending bill. Assuming that the 6.5 percent contributed by the employee is matched by the employer, for a total of 13 percent, that 13 percent would not be sufficient to pay the benefits from this time forward. It would re-

quire an additional contribution of around \$2 billion per year from general revenue. There would be a deficiency of about 9 percent of the Federal payroll. In other words, the Government would have to put in about \$2 billion per year.

Mr. McGEE. Mr. President, would it not be to the point of the Senator's question to say that the pending bill does address itself to staying ahead, so that the fund will be solvent when our due date is arrived at? We have provided in the bill for keeping the fund solvent.

Mr. WILLIAMS of Delaware. The Senator is correct. As I pointed out, it does it in this manner.

There are automatic clauses that could trigger an increased Government contribution out of general revenue in order to keep it solvent.

Under that escalator clause the committee estimated the cost to the taxpayers would be about \$2 billion a year 10 years from now. And if in the future other benefits are approved and the new financing is not provided for by increased deductions then the \$2 billion figure would rise proportionately.

Mr. McGEE. The committee did provide for an increase in the deductions to pay for these particular benefits. However, the important point is that the deficiency is not due to the failure of the employees to contribute, but to the failure of the U.S. Government to set aside its proportionate share each year. This is the matter that we are seeking to correct.

Mr. WILLIAMS of Delaware. The statement is partly correct. There was a period of years when the Government did not put in the matching contribution. Those matching contributions of the Federal Government plus interest would amount to about \$5 billion or \$6 billion and would take care of about one-tenth of the present actuarial deficiency. That arises from the fact that even though the Government was on an equal matching basis, if the Government had made all its payments plus interest there would still be \$40 billion deficiency remaining which would have to be taken care of either by increased contributions or by tapping the Federal Treasury, as the committee decided to do.

This deficiency in the funds is the result of past Congresses voting increased retirement benefits without making provisions to raise the money to pay them.

So while it is partly true to say that some of the deficiency results from the failure of the Government to have matched the contributions of the employees that is only about 10 percent of the deficiency.

Mr. COOPER. Mr. President, as I understand it, the chief portion of the actuarial deficit results from the fact that Congress did not first require sufficient deductions from the employees.

Mr. WILLIAMS of Delaware. At first it did require deductions in a sufficient amount when the Federal Government matched them. However, Congress over the years has been liberalizing the pension funds, but it did not at the same time increase the deductions to provide for a method of financing.

One of the points that the former Sen-

ator from Maryland, Senator O'Connor, and I made 20 years ago when we dealt with the matter was that we should incorporate a requirement in the law to the effect that every time Congress raised the benefits it would have to raise the deductions on the part of both the employees and the Government at the same time.

Had we been successful then we would not be here today with a \$50 billion deficit. Over the last 15 years Congress has been raising retirement benefits practically every year for the employees and at the same time making no provisions at all for the financing of these benefits. It has been the same old story. Members of Congress scramble for a chance to spend money, but they are very bashful when it comes to imposing the tax to pay for the programs.

Even here today, while the committee authorizes that the Federal Treasury can be tapped for an extra \$2 billion annually to pay for the cost of these retirements increases, they defer the date of this new tax until after next year's election.

The committee had to provide financing in the pending bill to pay for the benefit increases that had been granted for the past 15 years, but why start this parade all over again by authorizing a new round of increases? If the money provided under title I were intended to pay for the past benefits that have been voted my contention is that we should have kept it to that point and not started another round of escalation.

Mr. COOPER. Does one-half of the deficit, or a great part of the deficit, result from the fact that in the past Congress did not appropriate sufficient funds to pay the Government's share, the employer's share, of the fund?

Mr. WILLIAMS of Delaware. That would only account for about 10 percent of the deficiency. The other 90 percent is accounted for by the fact that Congress in the past approved benefits that were not matched by the increased contributions on the part of the employees and the Government.

Mr. COOPER. Mr. President, it is not likely that we could levy upon the employees who have already retired increased deductions to make up for the past deficit.

Mr. WILLIAMS of Delaware. No, that could not be done. I would not support such a move, and I do not think it could be done.

As these employees retire it is a contract they have with the Government, and I do not think you can go back and rescind it.

I have always taken the position that what the retired employees of the Government want most, No. 1, is the assurance that, no matter how long they live, this fund will be solvent and their payments will continue. They do not want to figure that they have to die by a certain date or they will not have anything on which to live. They want assurance that the pension will be paid as long as they live, and that is one point we have to be sure to protect. I think we should consider that point as No. 1.

The second point is, to what extent can it be liberalized? That is equally important to them.

But the major point is that once an employee retires and is dependent upon the pension he wants the assurance that he does not have to die early in life in order to keep from going to the poorhouse. I think we in Congress have been negligent in giving him that assurance.

Mr. COOPER. The social security trust fund is not actuarially solvent, is it?

Mr. WILLIAMS of Delaware. Not from the standpoint of insurance. But it is actuarially solvent—or was—on the premise the workers under the law have to come under it; therefore, the Government is assured of continued contributors and policy holders for life.

For years it has been a policy accepted and recognized by the Ways and Means Committee and the Finance Committee that they would consider no increased benefits in social security if there were not in the same bill provisions for an increased contribution or tax to pay for it. That has been the policy, and we have mentioned it on the floor of the Senate when various Members have proposed increased social security benefits. Members were told there was no use in approving increased benefits unless there were a tax in the same bill to provide the financing.

Had that rule been in effect in the Civil Service Retirement Act 20 years ago we would not be in this dilemma today, and I wish it were a part of this bill. Then we would have the situation that Members of Congress as they vote for increased benefits, which is always popular, would also vote to raise the contributing rates for the employees.

The unfortunate point is that after next year Congress will be required to raise the taxes of the American taxpayers to the extent of \$2 billion a year to pay for the benefits that are being approved under this bill today.

Mr. COOPER. If the social security trust fund should be threatened, its real solvency rests upon the credit of the United States and the taxes and appropriations to keep it solvent.

Mr. WILLIAMS of Delaware. Morally, yes; that is the answer. Legally the social security pension fund is not anchored to the Federal Treasury. The civil service retirement fund will be anchored to the Federal Treasury under this bill.

Government employees under this bill are being placed in a special class with benefits that are not available to any other type of citizens and these benefits are being financed directly out of general revenue. I trust that those who have voted for this bill here today will explain this to their taxpaying constituents.

Mr. COOPER. I am glad to have the explanation of the Senator from Delaware. I think it a mistake to add the 1 percent to the cost of living increase, and am sorry that is in the bill. But, on the whole, I think this bill does move toward protecting the trust fund and protecting the retirees.

Mr. DOLE. Mr. President, I support S. 2754. Upon reading the report, I was

impressed by the committee's approach taken to resolve problems presently confronting our civil service retirement and disability system. The committee has recommended an extension of benefits and also a realistic concern about financing the benefits.

I have long been sympathetic to the needs of our retired citizens who must live on a fixed income. During periods of inflation, as now, senior citizens bear an unfair share of the problems caused by the decreasing purchasing power of our dollar. Many who gave years of dedicated service find themselves unable to exist on the retirement pay they had anticipated would allow them to live comfortably in their later years.

Several provisions in S. 2754 are particularly noteworthy. Section 204(a) will provide for an additional 1-percent adjustment with each cost-of-living increase. Existing law provides for an adjustment whenever the consumer price index shows a 3-percent increase for each of 3 consecutive months. The 1-percent increase will allow our retired civil servants to live more realistically with an inflation rate that has been averaging 6.4 percent.

Section 201 of S. 2754 will more fully reward the civil service employee by use of his highest 3 years of earnings as a base period for computing annuities rather than the highest 5 under existing law.

There are other provisions, including those for financing the civil service retirement and disability system, extension of credit for military service and improvements in the survivor benefits for employees who die with little Federal service, for employees who die after retiring upon a disability annuity, and for surviving children of Federal employees. All are needed additions to our civil service retirement and disability system.

I urge the Senate to pass S. 2754 as a reasonable approach to the problems of those retired from Federal services.

The ACTING PRESIDENT pro tempore. The bill having been read the third time, the question is, Shall it pass?

The bill (H.R. 9825) was passed.

Mr. McGEE. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. MANSFIELD. I move to lay that motion on the table.

Mr. FONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. McGEE. Mr. President, I ask unanimous consent that, in the engrossment of the Senate amendment to H.R. 9825, the Secretary of the Senate be authorized to make the necessary clerical and technical adjustments in the language of the bill.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. McGEE. Mr. President, I move that the Senate insist on its amendment and request a conference with the House of Representatives on the disagreeing votes of the two Houses thereon, and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the

Acting President pro tempore appointed Mr. McGEE, Mr. YARBOROUGH, Mr. RANDOLPH, Mr. HARTKE, Mr. FONG, Mr. BOGGS, and Mr. FANNIN conferees on the part of the Senate.

Mr. McGEE. Mr. President, I ask unanimous consent that S. 2754 be indefinitely postponed.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MANSFIELD subsequently said: Mr. President, I ask unanimous consent that in the engrossment of the Senate amendment to H.R. 9825 the Secretary of the Senate be authorized to eliminate the last four lines of the amendment since it refers back to section 207 of the amendment which was stricken out and therefore no longer has a significance.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, the Senate's thorough, expeditious, and overwhelming acceptance of the civil service retirement measure is due primarily to its expert handling by the distinguished chairman of the Senate Post Office and Civil Service Committee, the Senator from Wyoming (Mr. McGEE). Senator McGEE, along with the members of his committee, worked diligently to report out a bill that means so much to those who serve the Government and one that is designed to stabilize the retirement fund. The Senate appreciates his knowledge of this area and the strong advocacy with which he presented its features.

We are also indebted to the senior Senator from Delaware (Mr. WILLIAMS) for his thought-provoking contributions to the discussion and appreciate very much the cooperation he exhibited.

The Senate as a whole is to be complimented for the efficient disposition of this measure today.

MESSAGE FROM THE HOUSE

A message from the House of Representatives by Mr. Hackney, one of its reading clerks, informed the Senate that Mr. Mailliard had been appointed as a conferee in the conference on the bill (S. 1075) to establish a national policy for the environment; to authorize studies, surveys, and research relating to ecological systems, natural resources, and the quality of the human environment; and to establish a Board of Environmental Quality Advisers, vice Mr. Pelly of Washington, excused.

PEACE CORPS ACT AMENDMENTS OF 1969

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the motion of the Senator from New York (Mr. JAVITS) of September 19, 1969, to reconsider the passage of H.R. 11039.

The PRESIDING OFFICER (Mr. McGovern in the chair). Without objection, it is so ordered.

Mr. MANSFIELD. Mr. President, I ask unanimous consent that the action of the Senate in appointing conferees on H.R. 11039 be reconsidered.

3. AGING. Sen. Muskie discussed and inserted an article, "Economics of Aging: The Widening Gap." pp. S12004-5
4. PESTICIDES. Sen. Nelson inserted a magazine article "Our Point of View, DDT Threatens You!" pp. S12006-7
5. FOREIGN AID. Sen. McGee inserted an excerpt from the report of the Commission on International Development which states that "developing countries..... capacity to use outside assistance efficiently" is "met with obstacles that must be overcome by effective integration of aid, trade and investment policies." pp. S12007-8
6. SCREWORM. Sen. Goldwater commended the Federal Government screwworm eradication program. p. S12009
7. FOREIGN TRADE. Sen. Javits inserted a speech, "Trade: A Vision for the 70's," which discusses where American business stands on trade and development. pp. S12013-5
8. WETLANDS. Sen. Case inserted an article, "Connecticut Schoolgirls Lose Marsh of Their Own, But Gain Enactment of an Ecological Protection Law." pp. S12018-9

HOUSE

9. RETIREMENT; PERSONNEL. Concurred in the Senate amendments to H. R. 9825, the civil service retirement bill. This bill will now be sent to the President. pp. H9162-6
10. NATIONAL SCIENCE FOUNDATION. Passed with amendment S. 1857 (in lieu of H. R. 10878 which had been passed earlier with amendments), the National Science Foundation authorization bill (pp. H9151-62). As passed, the bill was amended to reduce the authorization by \$3.3 million and to limit it to 2 years. H. R. 10878 was tabled. The rule under which the bill was considered was adopted earlier (p. H9151).
11. SELECTIVE SERVICE. Rep. Podell criticized the Administration's position on draft reform and troop pullouts, and stated he intends to participate in the national day of protest, October 15. pp. H9176-7
12. POLLUTION. Rep. Rogers criticized the airlines for not utilizing anti-pollution devices now available to them. pp. H9175-6
Rep. Dingell urged the House to provide the \$1 billion authorized for fiscal year 1970 under the Clean Water Restoration Act. pp. H9180-9204
Rep. Saylor inserted an article, "Law and the Environment." p. H9205-6
Rep. Saylor inserted a speech outlining the steps necessary to "reverse the trend of environmental retrogression." p. H9206-8

DIGEST of Congressional Proceedings

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
(FOR INFORMATION ONLY;
NOT TO BE QUOTED OR CITED)

Issued Oct. 8, 1969
For actions of Oct. 7, 1969
91st - 1st No. 163

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HIGHLIGHTS: House agreed to Senate amendments to retirement bill. Senate began debate on water pollution control bill.

SENATE

1. POLLUTION. Began debate on S. 7, to amend the Federal Water Pollution Control Act, as amended (pp. S12029-91). The bill was made unfinished business.
2. WATERSHEDS. Received from the Bureau of the Budget various plans for works of improvement under the Watershed Protection and Flood Prevention Act; to Agriculture and/or Public Works Committees. p. S11982

(By unanimous consent, Mr. HALL was allowed to proceed for 2 additional minutes.)

Mr. HALL. Mr. Chairman, the Navy is authorized to invest and fund 76 percent of all oceanographic studies. There is a separate Institute on Oceanography, it is chaired by the Navy. Then we have the Oceanographic Institutes. I believe there is one in San Diego, and I think there is one additional one which we use as a laboratory, and which we fund in authorized appropriations for consultation to the Oceanographic Institute, and the intergovernmental oceanographic agencies.

To go on down the list here is perhaps useless. I think I have made my point, and I simply throw out a warning that in the blessed name of science and research, and in spite of the importance and need of garnering onto ourselves line item review of essential projects—and I compliment the committee for doing that—; that we constantly be alert lest we do invade the jurisdiction of other committees, but even more so that we double expenses from the taxpayers' pocket in research that redounds without producing benefit.

I believe that one cannot go further this time, although one can continue going through item by item as, indeed, I have in the report, and marked pluses or minuses on every one of the authorizations that are set out here, I think it serves no purpose except to alert and put on notice those who have garnered unto themselves that they must at all expenses avoid duplication, additive work, unnecessary research that overlaps, and, above all, read history to see if the needed knowledge is available before the research is authorized.

Mr. FULTON of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. HALL. I yield to the gentleman from Pennsylvania.

Mr. FULTON of Pennsylvania. Mr. Chairman, I would like to compliment the gentleman on making an excellent point. Our Committee on Science and Astronautics has tried to prevent overlap, particularly in the Department of Defense, and the National Institutes of Health, and some progress has been made by the new Secretary of the Air Force. We have been so much opposed toward putting a program under the DOT and the Air Force for a manned orbiting laboratory, and then a program of very similar nature under NASA for a manned orbiting laboratory. That manned orbiting laboratory program has not been canceled. I believe we should go forward, as the gentleman said, and make sure on these line-by-line items that we will provide adequate research but no duplication.

Mr. HALL. Mr. Chairman, I thank the gentleman for his contribution. I would only add one sentence, and that is that the statement of the gentleman from Pennsylvania is true if, it is within the bounds of military security, which cannot be here discussed.

(Mr. HALL asked and was given permission to revise and extend his remarks.)

The CHAIRMAN. The time of the gentleman from Missouri has expired.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly, the Committee rose; and the Speaker having resumed the chair, Mr. CHARLES H. WILSON, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee having had under consideration the bill (H.R. 10878) to authorize appropriations for activities of the National Science Foundation, and for other purposes, pursuant to House Resolution 475, he reported the bill back to the House with sundry amendments adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

Is a separate vote demanded on any amendment? If not, the Chair will put them en gros.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The question was taken; and the Speaker announced the ayes appeared to have it.

Mr. FULTON of Pennsylvania. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Doorkeeper will close the doors, the Sergeant at Arms will notify absent Members, and the Clerk will call the roll.

The question was taken; and there were—yeas 364, nays 5, not voting 42, as follows:

[Roll No. 207]

YEAS—364

Abernethy	Burke, Fla.	Dennis
Adair	Burke, Mass.	Dent
Adams	Burleson, Tex.	Derwinski
Addabbo	Burlison, Mo.	Dickinson
Alexander	Burton, Calif.	Diggs
Anderson,	Bush	Dingell
Calif.	Button	Donohue
Anderson, Ill.	Byrne, Pa.	Dorn
Andrews, Ala.	Byrnes, Wis.	Dowdy
Andrews,	Cabell	Downing
N. Dak.	Caffery	Dulski
Annunzio	Camp	Duncan
Arends	Carter	Dwyer
Ashbrook	Casey	Eckhardt
Ashley	Cederberg	Edmondson
Aspinall	Celler	Edwards, Ala.
Ayres	Chamberlain	Edwards, Calif.
Baring	Chappell	Edwards, La.
Barrett	Clancy	Eilberg
Beall, Md.	Clark	Erlenborn
Belcher	Clausen,	Esch
Bell, Calif.	Don H.	Eshleman
Bennett	Clawson, Del	Evans, Colo.
Betts	Clay	Evins, Tenn.
Bevill	Cleveland	Fallon
Biaggi	Cohelan	Farbstein
Bieber	Collier	Fascell
Blackburn	Collins	Feighan
Blanton	Colmer	Findley
Blatnik	Conable	Fish
Boggs	Conte	Fisher
Boland	Conyers	Flood
Bolling	Corbett	Flowers
Bow	Corman	Foley
Brademas	Coughlin	Ford, Gerald R.
Bray	Cowger	Ford,
Brinkley	Cramer	William D.
Brock	Culver	Fountain
Broomfield	Daddario	Fraser
Brotzman	Daniel, Va.	Frelinghuysen
Brown, Mich.	Daniels, N.J.	Frey
Brown, Ohio	Davis, Ga.	Friedel
Broyhill, N.C.	de la Garza	Fulton, Pa.
Broyhill, Va.	Delaney	Fulton, Tenn.
Buchanan	Dellenback	Fuqua

Galifianakis	McMillan	Rooney, Pa.
Gallagher	Macdonald,	Rostenkowski
Garmatz	Mass.	Roth
Gaydos	MacGregor	Roudebush
Gettys	Madden	Roybal
Gialmo	Mahon	Ruppe
Gibbons	Mailliard	Ruth
Gilbert	Marsh	Ryan
Gonzalez	Martin	S. Germain
Goodling	Mathias	Sandman
Gray	Matsunaga	Satterfield
Green, Oreg.	May	Schadeberg
Green, Pa.	Mayne	Scherle
Griffin	Meeds	Scheuer
Griffiths	Melcher	Schwengel
Grover	Meskill	Scott
Gubser	Michel	Sebellus
Gude	Mikva	Shipley
Hagan	Miller, Calif.	Shriver
Haley	Miller, Ohio	Sikes
Hamilton	Mills	Sisk
Hammer-	Minish	Skubitz
schmidt	Mink	Slack
Hanley	Minshall	Smith, Calif.
Hanna	Mize	Smith, Iowa
Hansen, Idaho	Mizell	Smith, N.Y.
Hansen, Wash.	Mollohan	Snyder
Harsha	Monagan	Springer
Harvey	Montgomery	Stafford
Hathaway	Moorhead	Staggers
Hawkins	Morgan	Stanton
Hays	Morse	Steed
Hechler, W. Va.	Morton	Steiger, Ariz.
Heckler, Mass.	Mosher	Steiger, Wis.
Helstoski	Moss	Stokes
Henderson	Murphy, Ill.	Stratton
Hicks	Murphy, N.Y.	Stubblefield
Hogan	Myers	Sullivan
Hollifield	Natcher	Symington
Horton	Nedzi	Taft
Hosmer	Nelsen	Talcott
Hull	Nichols	Taylor
Hungate	Nix	Teague, Calif.
Hunt	Obey	Teague, Tex.
Hutchinson	O'Hara	Thompson, Ga.
Ichord	Olsen	Thompson, N.J.
Jacobs	O'Neal, Ga.	Thomson, Wis.
Jarman	O'Neill, Mass.	Tiernan
Johnson, Calif.	Ottinger	Udall
Johnson, Pa.	Passman	Ullman
Jonas	Patman	Utt
Jones, Ala.	Patten	Van Deerlin
Jones, N.C.	Pepper	Vander Jagt
Jones, Tenn.	Perkins	Vanik
Karth	Pettis	Vigorito
Kastenmeier	Philbin	Waggonner
Kazen	Pickle	Waldie
Keith	Pike	Wampler
King	Pirnie	Watkins
Kleppe	Poage	Watson
Kluczynski	Podell	Watts
Koch	Poff	Weicker
Kuykendall	Pollock	Whalen
Kyl	Preyer, N.C.	White
Kyros	Price, Ill.	Whitehurst
Landrum	Price, Tex.	Whitten
Langen	Pryor, Ark.	Widnall
Latta	Pucinski	Wiggins
Leggett	Purcell	Williams
Lennon	Quie	Wilson, Bob
Lloyd	Quillen	Wilson,
Long, La.	Railsback	Charles H.
Long, Md.	Randall	Winn
Lowenstein	Rarick	Wold
Lujan	Reid, Ill.	Wolff
Lukens	Reid, N.Y.	Wright
McCarthy	Relfel	Wyatt
McClory	Reuss	Wydler
McCloskey	Riegle	Wylie
McCulloch	Rivers	Wyman
McDade	Roberts	Yates
McDonald,	Robison	Young
Mich.	Rodino	Zablocki
McEwen	Rogers, Colo.	Zion
McFall	Rogers, Fla.	Zwach
McKneally	Rooney, N.Y.	

NAYS—5

Devine	Hall	Saylor
Gross	O'Ronski	

NOT VOTING—42

Abbitt	Dawson	Mann
Albert	Denney	Pelly
Anderson,	Flynt	Powell
Tenn.	Foreman	Rees
Berry	Goldwater	Rhodes
Bingham	Halpern	Rosenthal
Brasco	Harrington	St. Onge
Brooks	Hastings	Schneebell
Brown, Calif.	Héberts	Stephens
Burton, Utah	Howard	Stuckey
Cahill	Kee	Tunney
Carey	Kirwan	Whalley
Chisholm	Landgrebe	Yatron
Cunningham	Lipscomb	
Davis, Wis.	McClure	

So the bill was passed.
The Clerk announced the following pairs:

Mr. Hébert with Mr. Rhodes.
Mr. Brasco with Mr. Halpern.
Mr. Albert with Mr. Berry.
Mr. Kirwan with Mr. Schneebeil.
Mr. Tunney with Mr. Peily.
Mr. Corey with Mr. Cahill.
Mr. St. Onge with Mr. Burton of Utah.
Mr. Rosenthal with Mr. Whalley.
Mr. Howard with Mr. Cunningham.
Mr. Abbott with Mr. Landgrebe.
Mr. Anderson of Tennessee with Mr. Denney.

Mr. Brooks with Mr. Davis of Wisconsin.
Mr. Flynt with Mr. Foreman.
Mr. Brown of California with Mr. Hastings.
Mr. Mann with Mr. Goldwater.
Mr. Stuckey with Mr. Lipscomb.
Mr. Yatron with Mr. McClure.
Mr. Rees with Mr. Powell.
Mr. Harrington with Mrs. Chisholm.
Mr. Kee with Mr. Dawson.
Mr. Bingham with Mr. Stephens.

The result of the vote was announced as above recorded.

The doors were opened.

A motion to reconsider was laid on the table.

Mr. DADDARIO. Mr. Speaker, I ask unanimous consent for the immediate consideration of S. 1857, to authorize appropriations for activities of the National Science Foundation pursuant to Public Law 81-507, as amended, a Senate bill similar to that just passed by the House.

The Clerk read the title of the Senate bill.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 1857

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby authorized to be appropriated to the National Science Foundation for the fiscal year ending June 30, 1970, to enable it to carry out its powers and duties under the National Science Foundation Act of 1950, as amended, and under title IX of the National Defense Education Act of 1958, out of any money in the Treasury not otherwise appropriated, \$487,150,000.

Sec. 2. Appropriations made pursuant to authority provided in section 1 shall remain available for obligations, for expenditure, or for obligation and expenditure, for such period or periods as may be specified in Acts making such appropriations.

Sec. 3. Section 14 of the National Science Foundation Act of 1950, as amended by Public Law 90-407 (82 Stat. 360), is amended by adding to the end thereof the following new subsection:

"(1) Notwithstanding any other provision of law, the authorization of any appropriation to the Foundation shall expire (unless an earlier expiration is specifically provided) at the close of the third fiscal year following the fiscal year for which the authorization was enacted, to the extent that such appropriation has not theretofore actually been made."

Sec. 4. Appropriations made pursuant to this Act may be used, but not to exceed \$2,500, for official reception and representation expenses upon the approval or authority of the Director, and his determination shall be final and conclusive upon the accounting officers of the Government.

Sec. 5. In addition to such sums as are authorized by section 1 hereof, not to exceed \$3,000,000 is authorized to be appropriated

for expenses of the National Science Foundation incurred outside the United States to be paid for in foreign currencies which the Treasury Department determines to be excess to the normal requirements of the United States.

Sec. 6. Notwithstanding any provision of the National Science Foundation Act of 1950, or any other provision of law, the Director of the National Science Foundation shall keep the Committee on Science and Astronautics of the House of Representatives and the Committee on Labor and Public Welfare of the Senate fully and currently informed with respect to all of the activities of the National Science Foundation.

Sec. 7. This Act may be cited as the "National Science Foundation Act Amendments of 1969."

AMENDMENT OFFERED BY MR. DADDARIO

Mr. DADDARIO. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. DADDARIO: Strike out all after the enacting clause of the bill S. 1857 and insert in lieu thereof the provisions of H.R. 10878, as passed, as follows:

"That there is hereby authorized to be appropriated to the National Science Foundation for the fiscal year ending June 30, 1970, to enable it to carry out its powers and duties under the National Science Foundation Act of 1950, as amended, and under title IX of the National Defense Education Act of 1958, out of any money in the Treasury not otherwise appropriated, \$474,305,000.

"Sec. 2. Appropriations made pursuant to authority provided in section 1 shall remain available for obligation, for expenditure, or for obligation and expenditure, for such period or periods as may be specified in Acts making such appropriations.

"Sec. 3. Appropriations made pursuant to this Act may be used, but not to exceed \$2,500, for official reception and representation expenses upon the approval or authority of the Director, and his determination shall be final and conclusive upon the accounting officers of the Government.

"Sec. 4. In addition to such sums as are authorized by section 1 hereof, not to exceed \$3,000,000 is authorized to be appropriated for expenses of the National Science Foundation incurred outside the United States to be paid for in foreign currencies which the Treasury Department determines to be excess to the normal requirements of the United States.

"Sec. 5. Notwithstanding any other provision of law, the authorization of any appropriation to the National Science Foundation shall expire (unless an earlier expiration is specifically provided) at the close of the first fiscal year following the fiscal year in which the authorization was enacted, to the extent that such appropriation has not theretofore actually been made.

"Sec. 6. Notwithstanding any provision of the National Science Foundation Act of 1950, or any other provision of law, the Director of the National Science Foundation shall keep the Committee on Science and Astronautics of the House of Representatives and the Committee on Labor and Public Welfare of the Senate fully and currently informed with respect to all of the activities of the National Science Foundation.

"Sec. 7. If any institution of higher education determines, after affording notice and opportunity for hearing to an individual attending or employed by such institution—

"(a) that such individual has, after the date of the enactment of this act, willfully refused to obey a lawful regulation or order of such institution and that such refusal was of a serious nature and contributed to the disruption of the administration of such institution; or

"(b) that such individual has been convicted in any Federal, State, or local court

of competent jurisdiction of inciting, promoting, or carrying on a riot, or convicted of any group activity resulting in material damage to property, or injury to persons, found to be in violation of Federal, State, or local laws designed to protect persons or property in the community concerned; then the institution shall deny any further payments to or for the benefit of such individual which (but for this section) would be due or payable to such individual and no part of any funds appropriated pursuant to this Act shall be available for the payment of any amount (as salary, as a loan or grant, or otherwise) to such individual.

"Sec. 8. This Act may be cited as the "National Science Foundation Authorization Act, 1970."

Amend the title so as to read: "An Act to authorize appropriations for activities of the National Science Foundation, and for other purposes."

The amendment was agreed to.

The Senate bill was ordered to be read a third time, was read the third time, and passed.

The title was amended so as to read: "To authorize appropriations for activities of the National Science Foundation, and for other purposes."

A motion to reconsider was laid on the table.

A similar House bill (H.R. 10878) was laid on the table.

GENERAL LEAVE

Mr. DADDARIO. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

ELECTION TO STANDING COMMITTEE

Mr. GERALD R. FORD. Mr. Speaker, I offer a privileged resolution (H. Res. 571) and ask for its immediate consideration.

The Clerk read the resolution as follows:

H. RES. 571

"Resolved, That Charlotte T. Reid, of Illinois, be and she is hereby elected a member of the standing committee of the House of Representatives on Standards of Official Conduct."

The resolution was agreed to.

A motion to reconsider was laid on the table.

AMENDING SUBCHAPTER III OF CHAPTER 83, TITLE 5, UNITED STATES CODE—CIVIL SERVICE RETIREMENT

Mr. DANIELS of New Jersey. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (H.R. 9825) to amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Strike out all after the enacting clause and insert: That this Act may be cited as the "Civil Service Retirement Amendments of 1969".

TITLE I—CIVIL SERVICE RETIREMENT FINANCING

SEC. 101. Section 8331 of title 5, United States Code, is amended—

(1) by striking out "and" at the end of paragraph (15);

(2) by striking out the period at the end of paragraph (16) and inserting a semicolon in lieu thereof; and

(3) by adding immediately below paragraph (16) the following new paragraphs:

"(17) 'normal cost' means the entry-age normal cost computed by the Civil Service Commission in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay;

"(18) 'Fund balance' means the sum of—
 "(A) the investments of the Fund calculated at par value; and

"(B) the cash balance of the Fund on the books of the Treasury; and

"(19) 'unfunded liability' means the estimated excess of the present value of all benefits payable from the Fund to employees and Members and former employees and Members, subject to this subchapter, and to their survivors, over the sum of—
 "(A) the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf; plus

"(B) the present value of Government payments to the Fund under section 8348(f) of this title; plus

"(C) the Fund balance as of the date the unfunded liability is determined."

SEC. 102. (a) Section 8334 of title 5, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

"(a)(1) The employing agency shall deduct and withhold 7 percent of the basic pay of an employee, 7½ percent of the basic pay of a Congressional employee, and 8 percent of the basic pay of a Member. An equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingent fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

"(2) The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member also shall be credited to the Fund."; and

(2) by amending subsection (c) to read as follows:

"(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

"Percentage of basic pay:

Employee: Service period

2½----- August 1, 1920, to June 30, 1926.

3½----- July 1, 1926, to June 30, 1942.

5----- July 1, 1942, to June 30, 1948.

6----- July 1, 1948, to October 31, 1956.

6½----- November 1, 1956, to December 31, 1969.

7----- After December 31, 1969.

Member or employee for congressional employee service:

2½----- August 1, 1920, to June 30, 1926.

3½----- July 1, 1926, to June 30, 1942.

5----- July 1, 1942, to June 30, 1948.

6----- July 1, 1948, to October 31, 1956.

6½----- November 1, 1956, to December 31, 1969.

7½----- After December 31, 1969.

Member for Member service:

2½----- August 1, 1920, to June 30, 1926.

3½----- July 1, 1926, to June 30, 1942.

5----- July 1, 1942, to August 1, 1946.

6----- August 2, 1946, to October 31, 1956.

7½----- November 1, 1956, to December 31, 1969.

8----- After December 31, 1969.

Notwithstanding the foregoing provisions of this subsection, the deposit with respect to a period of service referred to in section 8332 (b) (6) of this title performed before January 1, 1969, shall be an amount equal to 55 percent of a deposit computed in accordance with such provisions."

(b) The amendment made by subsection (a) (1) of this section shall become effective at the beginning of the first applicable pay period beginning after December 31, 1969.

SEC. 103. (a) Section 8348 of title 5, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

"(a) There is a Civil Service Retirement and Disability Fund. The Fund—

(1) is appropriated for the payment of—
 "(A) benefits as provided by this subchapter; and

"(B) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title; and

"(2) is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Commission in connection with the administration of this chapter and other retirement and annuity statutes."; and

(2) by striking out subsections (f) and (g) and inserting in lieu thereof:

"(f) Any statute which authorizes—

"(1) new or liberalized benefits payable from the Fund, including annuity increases other than under section 8340 of this title;

"(2) extension of the coverage of this subchapter to new groups of employees; or

"(3) increases in pay on which benefits are computed;

is deemed to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in 30 equal annual installments with interest computed at the rate used in the then most recent valuation of the Civil Service Retirement System and with the first payment thereof due as of the end of the fiscal year in which each new or liberalized benefit, extension of coverage, or increase in pay is effective.

"(g) At the end of each fiscal year, the Commission shall notify the Secretary of the Treasury of the amount equivalent to (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System, and (2) that portion of disbursement for annuities for that year which the Commission estimates is attributable to credit allowed for military service. Before closing the accounts for each fiscal year, the Secretary shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of such amounts: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 per-

cent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund under this subsection."

(b) (1) The provisions of subsection (g) of section 8348 of title 5, United States Code, as contained in the amendment made by subsection (a) (2) of this section, shall become effective at the beginning of the fiscal year which ends on June 30, 1971.

(2) Paragraph (1) of this subsection shall not be held or considered to continue in effect after the enactment of this Act the provisions of section 8348(g) of title 5, United States Code, as in effect immediately prior to such enactment.

SEC. 104. Section 1308(c) of title 5, United States Code, is amended by striking out "on a normal cost plus interest basis".

SEC. 105. The proviso under the heading "Civil Service Commission" and under the subheading "Payment to Civil Service Retirement and Disability Fund" in title I of the Independent Offices Appropriation Act, 1962 (75 Stat. 345; Public Law 87-141), is repealed.

TITLE II—CIVIL SERVICE RETIREMENT BENEFITS

SEC. 201. (a) Paragraph (4) (A) of section 8331 of title 5, United States Code, is amended to read as follows:

"(A) over any 3 consecutive years of creditable service or, in the case of an annuity under subsection (d) or (e) (1) of section 8341 of this title based on service of less than 3 years, over the total service; or".

(b) Subsection (c) of section 8333 of title 5, United States Code, is amended to read as follows:

"(c) A Member or his survivor is eligible for an annuity under this subchapter only if the amounts named by section 8334 of title 5 have been deducted or deposited with respect to his last five years of civilian service, or, in the case of a survivor annuity under section 8341(d) or (e) (1) of this chapter, with respect to his total service."

SEC. 202. Subsection (g) of section 8334 of title 5, United States Code, is amended—

(1) by striking out the word "or" at the end of paragraph (3);

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and the word "or"; and

(3) by adding the following new paragraph immediately below paragraph (4):

"(5) days of unused sick leave credited under section 8339(m) of this title."

SEC. 203. Section 8339 of title 5, United States Code, is amended—

(1) by striking out of subsection (b) the words "so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years" and inserting in lieu thereof "his service as a Congressional employee, his military service not exceeding 5 years,";

(2) by amending subsection (c) (2) to read as follows:

"(2) his Congressional employee service;";

(3) by striking out the last full sentence of subsection (f);

(4) by striking out "(excluding any increase because of retirement under section 8337 of this title)" in subsection (i); and

(5) by adding at the end thereof the following new subsection:

"(m) In computing any annuity under subsections (a)-(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter."

SEC. 204. (a) Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting "1 percent plus" immediately after the word "by".

(b) Subsection (c) (2) of such section is amended to read as follows:

"(2) For the purpose of computing the annuity of a child under section 8341(e) of this title that commences on or after the first day of the first month that begins on or after the date of enactment of the Civil Service Retirement Amendments of 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 8341(e) of this title shall be increased by the total percent increases allowed and in force under this section on or after such day and, in case of a deceased annuitant, the items 60 percent and 75 percent appearing in section 8341(e) of this title shall be increased by the total percent allowed and in force to the annuitant under this section on or after such day."

SEC. 205. The provisions of subsection (b) (1), (d) (3), and (g) of section 8341 of title 5, United States Code, also shall apply in the case of any widow or widower—

(1) of an employee who died, retired, or was otherwise finally separated before July 18, 1966;

(2) who shall have remarried on or after such date; and

(3) who, immediately before such remarriage, was receiving annuity from the Civil Service Retirement and Disability Fund;

except that no annuity shall be paid by reason of this section for any period prior to the enactment of this section. No annuity shall be terminated solely by reason of the enactment of this section. Notwithstanding the prohibition contained in the first sentence of this section on the payment of annuity for any period prior to the enactment of this section, in any case in which the Civil Service Commission determines that—

(1) the remarriage of any widow or widower described in such sentence was entered into by the widow or widower in good faith and in reliance on erroneous information provided by Government authority prior to that remarriage that the then existing survivor annuity of the widow or widower would not be terminated because of the remarriage; and

(2) such annuity was terminated by law because of that remarriage;

then payment of annuity may be made by reason of this section in such case, beginning as of the effective date of the termination because of the remarriage.

SEC. 206. (a) The first sentence of subsection (d) of section 8341 of title 5, United States Code, is amended to read as follows: "If an employee of Member dies after completing at least 18 months of civilian service, the widow or dependent widower of the employee or Member is entitled to an annuity equal to 55 percent of an annuity computed under section 8339 (a)–(e) and (h) of this title as may apply with respect to the employee or Member, except that in the computation of the annuity under such section, the annuity of the employee or Member shall be at least the smaller of (i) 40 percent of his average pay, or (ii) the sum obtained under such section after increasing his service of the type last performed by the period elapsing between the date of death and the date he would have become 60 years of age."

(b) Subsection (e) (1) of such section is amended to read as follows:

"(e) (1) If an employee or Member dies after completing at least 18 months of civilian service, or an employee or Member dies after retiring under this subchapter, and is survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

"(A) 60 percent of the average pay of the employee or Member divided by the number of children;

"(B) \$900; or

"(C) \$2,700 divided by the number of children; subject to section 8340 of this title. If the employee or Member is not survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

"(1) 75 percent of the average pay of the employee or Member divided by the number of children;

"(II) \$1,080; or

"(III) \$3,240 divided by the number of children; subject to section 8340 of this title."

SEC. 207. (a) The amendments made by sections 201, 202, 203, and 206(a) of this Act shall not apply in the cases of persons retired or otherwise separated prior to the date of enactment of this Act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if such sections had not been enacted.

(b) The amendments made by section 204(a) of this Act to section 8340 of title 5, United States Code, shall apply only to annuity increases which become effective under such section 8340 after the date of enactment of this Act.

(c) (1) The amendment made by section 206(b) of this Act shall become effective on the first day of the first month which begins on or after the date of enactment of this Act.

(2) The annuity of each surviving child who, immediately prior to the effective date of such amendment is receiving an annuity under section 8341(e) of title 5, United States Code, or under a comparable provision of any prior law, or who hereafter becomes entitled to receive annuity under the Act of May 29, 1930, as amended from and after February 28, 1948, shall be recomputed effective on such date, or computed from commencing date if later, in accordance with such amendment. No increase allowed and in force prior to such date shall be included in the computation or recomputation of any such annuity. This paragraph shall not operate to reduce any annuity.

Mr. DANIELS of New Jersey (during the reading). Mr. Speaker, I ask unanimous consent that the further reading of the Senate amendment be dispensed with and that it be printed in the RECORD.

The SPEAKER. Without objection, it is so ordered.

There was no objection.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey (Mr. DANIELS)?

Mr. GROSS. Mr. Speaker, reserving the right to object, and I do so in order that we may have an explanation of the action of the other body with respect to this legislation and to ask a few questions of the gentleman from New Jersey.

Particularly, Mr. Speaker, I would like to know what additional benefits the other body put into this bill and whether the costs of the additional benefits are covered?

Mr. DANIELS of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. GROSS. I yield to the gentleman.

Mr. DANIELS of New Jersey. I shall be happy to explain.

The Senate amended the House bill, H.R. 9825, by striking all language following the enacting clause and inserting the language of S. 2754, as amended.

The Senate amendment retains all of the provisions of the House-passed bill, except minor technical and perfecting changes. Exclusive of the liberalized survivor provisions and additional funding mechanism added by the Senate amend-

ment, the only substantive change in the House-passed version is with respect to the rate of contribution applicable to Members of Congress. The House version continues the Members' contribution rate at the present 7.5 percent whereas the Senate version raises it to 8 percent—no attempt being made in the Senate to retain the rate of 7.5 percent.

The Senate amendment made changes in other respects, as to costs of crediting military service, surviving spouses' benefits, and surviving children's benefits.

With respect to costs, the total contributions will amount to 14 percent, and under the Senate-passed amendments the normal costs will come to 13.98 percent, leaving a surplus of 0.02 percent.

Under the present cost operating system, normal costs come to 13.86 percent and, by virtue of the change made by the State, the normal cost will be reduced by 0.22 percent so that the new normal cost of present benefits comes to 13.64 percent.

However, the House provisions would add thirteen one-hundredths of 1 percent and, by virtue of the liberalized benefits added by the Senate, which amount to twenty-one one-hundredths of 1 percent, we arrive at a total new normal cost of 13.98 percent of payroll, which is 0.01 percent under the House-passed bill.

The Senate amendment to title I provides that the cost of crediting military service be financed by annual transfers from the Treasury, out of money not otherwise appropriated, to the retirement fund in the same manner as it is proposed to finance the interest on the existing unfunded liability. Ten percent of such costs would begin to be paid starting in 1971, increasing by an additional 10 percent each year until, in 1980 and thereafter, the total costs would be funded by direct transfer. These payments would begin at about \$10 million, rise proportionately over the next 20 years, and peak at approximately \$300 million. Thereafter, these costs will gradually decline to a relatively negligible amount since military service performed after 1956 will, generally, be creditable under the social security system. By so funding, the normal cost of the benefit structure of the civil service retirement system will be reduced by 0.22 percent of payroll, reducing present normal cost from 13.86 percent to 13.64 percent. It will also result in reducing the system's unfunded liability by \$4.7 billion.

Under existing law an employee who retires on disability—after completing at least 5 years of service—is guaranteed a minimum benefit of the smaller of (A) 40 percent of the average salary or (B) the rate obtained under the general formula after increasing the actual service by the time remaining between the date of disability retirement and the attainment of age 60, if either (A) or (B) produces a greater rate than is earned by virtue of his actual service. However, the law stipulates that such guaranteed rate is payable only to the disabled employee, and is not applicable in determining his spouse's survivor rate. Her benefit is 55 percent of only his earned rate.

The Senate amendment removes the latter restriction, and extends to the surviving spouse an annuity based upon the higher guaranteed minimum benefit, where applicable.

Under existing law the spouse and children of an employee have survivor protection only in the event of his death after completing at least 5 years' of service. The Senate amendment would provide such protection upon the employee's death occurring after a total of 18 months of service—similar to the minimum coverage requirement of the social security system.

The amendment extends to the surviving children of such short-term decedents the same dollar benefits provided to children of over-5-years employees. However, its greatest effect is with respect to the spouse's benefit. It grants to the eligible spouse the same computation formula extended to the spouse of a disability retiree; that is, her rate would be computed on the basis of 55 percent of a guaranteed minimum disability benefit, if it exceeds the basic earned annuity. In other words, the basic rate would be determined as though the employee had retired on disability as of the date of his death in active service.

Present law grants basic survivor annuity benefits to eligible children of the smallest of: First, \$50 per month per child, second, \$150 per month divided by the number of children, or third, 40 percent of the employee's average salary. Orphaned children's basic rates are, respectively: First, \$60 per month per child, second, \$180 per month divided by the number of children, or third, 50 percent of the average salary, whichever is smallest. These basic rates are subject to all automatic cost-of-living adjustments occurring since 1965. Generally, the current maximum monthly rates are \$61 and \$183 for children with one parent, and \$72 and \$216 for orphans.

The Senate amendment proposes a fresh start principle by increasing the respective children's basic amounts of \$50, \$150, and 40 percent to \$75, \$225, and 60 percent, and orphan's basic amounts of \$60, \$180, and 50 percent respectively to \$90, \$270, and 75 percent. In application the present actual average rates of \$61 and \$183 would be increased to \$75 and \$225; the present actual average rates of \$72 and \$216 would be increased to \$90 and \$270; and these new basic rates would be further increased by the percentage of all future cost-of-living increases.

Mr. GROSS. Mr. Speaker, I thank the gentleman for his explanation and say to Members of the House that I am still opposed to some provisions of this bill, but if I read the signs correctly—and I believe I do—there is no point in going to conference with it.

I accept the fate of having been defeated on this issue when the measure was originally before the House. I said then, as I now reiterate, that this legislation had the original worthy purpose of bringing order out of chaos in the funding of the Government employees retirement fund, but was then converted into a Christmas tree with goodies for almost everyone.

Let me repeat my belief that it would be futile to attempt to overturn in a conference the action of the House and Senate. However, I still strongly oppose enactment of this legislation in its present form.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

Mr. DERWINSKI. Mr. Speaker, reserving the right to object. The gentleman from New Jersey has made an explanation, but like my distinguished colleague, the gentleman from Iowa, I recognize the facts of life and feel that there is no further point in debating this bill except merely to clarify some things for the Members. Does the gentleman have any idea as to what cost will now be attributed to the high 3-year-service feature, calculated as to the impact on immediate retirement of many people in the service? Does the gentleman have any figures to show the possibilities in that area?

Mr. DANIELS of New Jersey. I understand a number of people will be retiring shortly after enactment of the bill, if that be the will of the President. I have received many, many inquiries from Members as to the status of this bill, both after the House passed it and while action was pending thereon in the Senate, and since last week when the Senate passed this bill. I believe there will be a considerable number who will retire. This bill will save, perhaps, the administration some embarrassment of firing people to cut back defense spending. Because by people retiring, it will also open the doors for many young people to come into the Government service, and for younger employees to move up the ladder.

Mr. DERWINSKI. It is not my purpose to go into unnecessary speculation about the acts of this administration unless we in Congress exercise some leadership in this bureaucracy in doing away with many of the programs we have started. But like the gentleman from Iowa, I feel that the Senate version is an improvement on the bill passed in the House. I think the gentleman from New Jersey is correct in recommending that we accept the Senate version.

Mr. Speaker, now that the Senate has worked its will on the civil service retirement bill, H.R. 9825, and it is obviously moving toward enactment, I would be delinquent if I did not make some observations which I feel are pertinent at this point.

I first want to commend our distinguished colleagues in the other body for improving in two instances a bill which I did not favor as it passed the House. One improvement is the increase from 7½ percent to 8 percent of the retirement deduction rate for Members of Congress. Fairness dictates that if we insist that all other Federal employees pay an additional one-half percent into the retirement fund that Members of Congress should do the same.

I also admire the Senate action in amending the bill so that costs attributable to the crediting of military service be financed annually by the same method

as the financing of interest on the unfunded liability of the retirement fund. It was, after all, the idea of Congress to permit credit for military service and so the cost should not be charged to the fund as a whole, as it has in the past, but should be covered by annual payments by the Government.

I must, however, restate my strong disagreement with the provision remaining in the bill which permits retirement service credit for the calendar value of unused sick leave. This is a departure from the basic concept that has governed the use of sick leave since its inception in the Federal system. The basis for sick leave under our system is to insure against the loss of income during periods of illness. All employees have the same right to draw upon sick leave if necessary, but nothing is owed the employee who enjoys good health and does not have to draw upon his reserve. This sick leave provision, as it becomes law, will discriminate against the employee who happened to be burdened with illness.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

Mr. MICHEL. Mr. Speaker, further reserving the right to object, did I correctly understand the gentleman to say that under the bill about to be accepted, if it is, that our contribution as Members of Congress to the retirement fund will be increased from 7½ percent to 8 percent?

Mr. DANIELS of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. MICHEL. I yield to the gentleman from New Jersey.

Mr. DANIELS of New Jersey. Your understanding is correct. Our contribution will be increased from 7½ percent to 8 percent, with the Government contributing a similar sum into the retirement fund.

Mr. MICHEL. Further reserving the right to object, I should like to make the observation that some of the newspapers at home carry front-page accounts about how we are raising our salary again, raising our annuities. I have been opposed, frankly, to liberalizing that 5-year high base to 3 years. Personally, I do not like to see the increase from 7½ percent to 8 percent. I am grateful for what I may get someday and I do not think it ought to be increased. The thought occurs to me that our late senior Senator, who died a few weeks ago, was a Member of this body and a Member of the other body since 1932, except for 2 years. Over that vast expanse of years he contributed to this retirement fund. In that particular kind of case, the Senator contributed into the fund for 37 years and died without realizing an annuity. Now his widow qualifies, as I understand the system, for a 55-percent survivorship of what the Senator earned, but if she is in the twilight of her years, she may never realize in benefits anywhere near the amount her husband had contributed to the fund. There is provision, I believe, for the balance of premiums paid in to go to one's estate, but that is it.

Certainly it is not any real bonanza, when one considers the amount of the contributions over some 32 years.

Have there been any studies made of the number of senior Members of this body and the other body who die after contributing over a period of 20 or 30 or 40 years to this program and never fully realize what they paid for in their 7½ or now 8 percent of salary deductions?

Mr. DANIELS of New Jersey. Mr. Speaker, will the gentleman yield?

Mr. MICHEL. I yield to the gentleman from New Jersey.

Mr. DANIELS of New Jersey. Mr. Chairman, I agree with the gentleman from Illinois. There is no real bonanza for the Members of Congress.

Our subcommittee did not go into the particular subject matter the gentleman has discussed, but I understand another subcommittee did go into this matter in considering the retirement benefits for the civil employees of the Foreign Service. I am not familiar with what that study showed, but I fully agree with the gentleman, that there are no "bundles for Congress" in this bill, regardless of what the news media says.

Mr. MICHEL. Mr. Speaker, I am happy to hear the gentleman's response to that question.

Mr. HAYS. Mr. Speaker, will the gentleman yield?

Mr. MICHEL. I yield to the gentleman from Ohio (Mr. HAYS).

Mr. HAYS. Mr. Speaker, I chaired the subcommittee that went into this matter. As I said before, during the debate on this bill earlier, this fund for Members of Congress, if it were separated out and stood alone, would show it has accumulated a bonanza for the Government, in spite of the fact that when it was passed everybody was blanketed in without any prior contributions or without having to go back and pay for prior years of service, and in spite of the fact that for about half the time or more of the time, the Government did not put its share of contributions in.

I do not recall the figure off the top of my head at this moment, but I think it was approximately \$12 million or \$16 million more which was paid in than has ever been paid out—and that in spite of the fact the Government did not make its contribution and in spite of the fact the people who were here in 1946, when it was passed, and who had been here for 20 or 30 or 40 years were blanketed in. So there has not been really any steal from the taxpayers at all.

Mr. MICHEL. I thank the gentleman. Mr. Speaker, I withdraw my reservation of objection.

Mr. HOGAN. Mr. Speaker, I am very pleased to have been a cosponsor of this legislation which will resolve the financial crisis facing the retirement fund today. At the same time we are fulfilling an obligation long overdue our civil servants by committing the Government to maintaining the integrity of the civil service retirement fund and insuring that there will always be enough money in the fund to permit payment of all benefits—in full and on time—to all past, present, and future Federal employees.

I urge the Members of this body to give our Government workers one more vote of confidence by unanimously ac-

cepting the Senate amendments to H.R. 9225, permitting prompt transmittal of this measure to the President for his signature into law, a moment long awaited by civil service employees of the Fifth District of Maryland.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

The Senate amendment was concurred in.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. DANIELS of New Jersey. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks on H.R. 9825.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

RESIGNATION AS MEMBER OF NATIONAL COMMISSION ON REFORM OF FEDERAL CRIMINAL LAWS

The SPEAKER laid before the House the following communication, which was read:

OCTOBER 1, 1969.

HON. JOHN W. MCCORMACK,
Speaker of the House of Representatives,
The Capitol.

DEAR MR. SPEAKER: It is with regret that I respectfully submit my resignation as a member of the National Commission on Reform of Federal Criminal Laws. As you know, Mr. Speaker, I do not plan to run for reelection to Congress and I think it appropriate that I be replaced at this time by another Member of the House of Representatives.

I enjoyed my service on the National Commission on Reform of Federal Criminal Laws with its distinguished Chairman, The Honorable Edmund G. Brown.

Sincerely,

DON EDWARDS,
Member of Congress.

APPOINTMENT AS MEMBER OF NATIONAL COMMISSION ON REFORM OF FEDERAL CRIMINAL LAWS

The SPEAKER. Pursuant to the provisions of section 2(a), Public Law 89-801, the Chair appoints as a member of the National Commission on Reform of Federal Criminal Laws the gentleman from Illinois, Mr. MIKVA, to fill the existing vacancy thereon.

PERSONAL ANNOUNCEMENT

Mr. DULSKI. Mr. Speaker, I was absent from the House session on Monday, October 6, because of a death in our family in Buffalo, N.Y.

Had I been present and voting, I would have voted "yea" on rollcalls Nos. 203, 204, and 205. On rollcall 202, I would have voted "nay."

ANTI-INFLATION CAMPAIGN

(Mr. O'HARA asked and was given permission to address the House for 1

minute and to revise and extend his remarks.)

Mr. O'HARA. Mr. Speaker, on June 2, I read into the RECORD a newspaper article describing how the Advertising Council, an offshoot of the U.S. Chamber of Commerce, was hoping to launch an anti-inflation campaign to "condition the collective mind so that when something is done, they will know it to be in their best interests." The quote is from an official of the Advertising Council.

Well, this administration has been doing its best to fight inflation. And yesterday, the Bureau of Labor Statistics of the U.S. Department of Labor announced that unemployment had risen to its highest level in 2 years. The increase—equal to one-half of 1 percent of the entire labor force—was the biggest monthly increase since the last time the Republicans were in office.

We are told by the Washington Post:

Some administration economists, most notably Assistant Treasury Secretary Murray L. Weidenbaum, viewed the increase in joblessness as evidence the Government's anti-inflation program is beginning to take hold.

Mr. Speaker, I do not think the people of this country have yet had their collective mind conditioned by the advertising council to the point where they are going to accept the administration's view that a little unemployment is good for you.

Prices continue to rise. The President opposes tax relief for the middle-income taxpayer, but supports more tax relief for those who already have most of the loopholes. The Federal Reserve Board continues with its policies of increasing the prices the banks can charge us to use our money.

Taken as a whole, Mr. Speaker, one can only agree with the Assistant Secretary of the Treasury. The administration's anti-inflation fight has indeed begun to "take hold."

It has begun to reduce full employment so that business can keep labor in line through fear of unemployment. It has begun to generate public pressure against domestic programs which might improve the position of those most in need. And it has done so without holding down prices and profits for the natural supporters of the Republican Party.

Mr. Speaker, I have a modest proposal. If increased unemployment is going to be sold to us as an anti-inflation measure, may I suggest that the unemployment start with the guy who thought up that argument?

RAILS, RULES, AND RUIN AT FORT ROBINSON

(Mr. ADAMS asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. ADAMS. Mr. Speaker, the problem of inadequate rail service for passengers was the subject of a special order last month and over 90 Members have joined with me in sponsoring a bill to authorize the Interstate Commerce Commission to require adequate standards of service on the Nation's passenger trains. This is a proposed solution to part of the whole problem of



Public Law 91-93
91st Congress, H. R. 9825
October 20, 1969

An Act

83 STAT. 136

To amend subchapter III of chapter 83 of title 5, United States Code, relating to civil service retirement, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Civil Service Retirement Amendments of 1969".

Civil Service
Retirement
Amendments of
1969.

TITLE I—CIVIL SERVICE RETIREMENT FINANCING

SEC. 101. Section 8331 of title 5, United States Code, is amended—

80 Stat. 564;
81 Stat. 213.

(1) by striking out "and" at the end of paragraph (15);

(2) by striking out the period at the end of paragraph (16) and inserting a semicolon in lieu thereof; and

(3) by adding immediately below paragraph (16) the following new paragraphs:

"(17) 'normal cost' means the entry-age normal cost computed by the Civil Service Commission in accordance with generally accepted actuarial practice and expressed as a level percentage of aggregate basic pay;

"Normal cost."

"(18) 'Fund balance' means the sum of—

"Fund balance."

"(A) the investments of the Fund calculated at par value; and

"(B) the cash balance of the Fund on the books of the Treasury; and

"(19) 'unfunded liability' means the estimated excess of the present value of all benefits payable from the Fund to employees and Members, and former employees and Members, subject to this subchapter, and to their survivors, over the sum of—

"Unfunded
liability."

"(A) the present value of deductions to be withheld from the future basic pay of employees and Members currently subject to this subchapter and of future agency contributions to be made in their behalf; plus

"(B) the present value of Government payments to the Fund under section 8348(f) of this title; plus

"(C) the Fund balance as of the date the unfunded liability is determined.".

Post, p. 137.

SEC. 102. (a) Section 8334 of title 5, United States Code, is amended—

Agency-employee
contributions.
80 Stat. 569.

(1) by amending subsection (a) to read as follows:

"(a) (1) The employing agency shall deduct and withhold 7 percent of the basic pay of an employee, 7½ percent of the basic pay of a Congressional employee, and 8 percent of the basic pay of a Member. An equal amount shall be contributed from the appropriation or fund used to pay the employee or, in the case of an elected official, from an appropriation or fund available for payment of other salaries of the same office or establishment. When an employee in the legislative branch is paid by the Clerk of the House of Representatives, the Clerk may pay from the contingent fund of the House the contribution that otherwise would be contributed from the appropriation or fund used to pay the employee.

"(2) The amounts so deducted and withheld, together with the amounts so contributed, shall be deposited in the Treasury of the United States to the credit of the Fund under such procedures as the Comptroller General of the United States may prescribe. Deposits made by an employee or Member also shall be credited to the Fund.";

and

83 STAT. 137

Deposits.

80 Stat. 570.

5 USC 8334.

(2) by amending subsection (c) to read as follows:

“(c) Each employee or Member credited with civilian service after July 31, 1920, for which retirement deductions or deposits have not been made, may deposit with interest an amount equal to the following percentages of his basic pay received for that service:

	“Percentage of basic pay	Service period
Employee-----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7-----	After December 31, 1969.
Member or employee for Congressional employee service-----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to June 30, 1948.
	6-----	July 1, 1948, to October 31, 1956.
	6½-----	November 1, 1956, to December 31, 1969.
	7½-----	After December 31, 1969.
Member for Member service-----	2½-----	August 1, 1920, to June 30, 1926.
	3½-----	July 1, 1926, to June 30, 1942.
	5-----	July 1, 1942, to August 1, 1946.
	6-----	August 2, 1946, to October 31, 1956.
	7½-----	November 1, 1956, to December 31, 1969.
	8-----	After December 31, 1969.

Notwithstanding the foregoing provisions of this subsection, the deposit with respect to a period of service referred to in section 8332(b) (6) of this title performed before January 1, 1969, shall be an amount equal to 55 percent of a deposit computed in accordance with such provisions.”.

82 Stat. 757.

Effective date.

(b) The amendment made by subsection (a) (1) of this section shall become effective at the beginning of the first applicable pay period beginning after December 31, 1969.

Civil Service
Retirement
and Disability
Fund.
81 Stat. 218.

SEC. 103. (a) Section 8348 of title 5, United States Code, is amended—

(1) by amending subsection (a) to read as follows:

“(a) There is a Civil Service Retirement and Disability Fund. The Fund—

(1) is appropriated for the payment of—

“(A) benefits as provided by this subchapter; and

“(B) administrative expenses incurred by the Civil Service Commission in placing in effect each annuity adjustment granted under section 8340 of this title; and

“(2) is made available, subject to such annual limitation as the Congress may prescribe, for any expenses incurred by the Commission in connection with the administration of this chapter and other retirement and annuity statutes.”; and

(2) by striking out subsections (f) and (g) and inserting in lieu thereof:

“(f) Any statute which authorizes—

“(1) new or liberalized benefits payable from the Fund, including annuity increases other than under section 8340 of this title;

“(2) extension of the coverage of this subchapter to new groups of employees; or

“(3) increases in pay on which benefits are computed; is deemed to authorize appropriations to the Fund to finance the unfunded liability created by that statute, in 30 equal annual install-

81 Stat. 215;

Post, p. 139.

Payments for
future benefits.
80 Stat. 584.

ments with interest computed at the rate used in the then most recent valuation of the Civil Service Retirement System and with the first payment thereof due as of the end of the fiscal year in which each new or liberalized benefit, extension of coverage, or increase in pay is effective.

“(g) At the end of each fiscal year, the Commission shall notify the Secretary of the Treasury of the amount equivalent to (1) interest on the unfunded liability computed for that year at the interest rate used in the then most recent valuation of the System, and (2) that portion of disbursement for annuities for that year which the Commission estimates is attributable to credit allowed for military service. Before closing the accounts for each fiscal year, the Secretary shall credit to the Fund, as a Government contribution, out of any money in the Treasury of the United States not otherwise appropriated, the following percentages of such amounts: 10 percent for 1971; 20 percent for 1972; 30 percent for 1973; 40 percent for 1974; 50 percent for 1975; 60 percent for 1976; 70 percent for 1977; 80 percent for 1978; 90 percent for 1979; and 100 percent for 1980 and for each fiscal year thereafter. The Commission shall report to the President and to the Congress the sums credited to the Fund under this subsection.”

Unfunded liability obligations.

Report to President and Congress. Effective date.

(b) (1) The provisions of subsection (g) of section 8348 of title 5, United States Code, as contained in the amendment made by subsection (a) (2) of this section, shall become effective at the beginning of the fiscal year which ends on June 30, 1971.

(2) Paragraph (1) of this subsection shall not be held or considered to continue in effect after the enactment of this Act the provisions of section 8348(g) of title 5, United States Code, as in effect immediately prior to such enactment.

SEC. 104. Section 1308(c) of title 5, United States Code, is amended by striking out “on a normal cost plus interest basis”.

80 Stat. 403.

SEC. 105. The proviso under the heading “CIVIL SERVICE COMMISSION” and under the subheading “PAYMENT TO CIVIL SERVICE RETIREMENT AND DISABILITY FUND” in title I of the Independent Offices Appropriation Act, 1962 (75 Stat. 345; Public Law 87-141), is repealed.

Repeal.

TITLE II—CIVIL SERVICE RETIREMENT BENEFITS

SEC. 201. (a) Paragraph (4) (A) of section 8331 of title 5, United States Code, is amended to read as follows:

Average pay computation. 80 Stat. 566.

“(A) over any 3 consecutive years of creditable service or, in the case of an annuity under subsection (d) or (e) (1) of section 8341 of this title based on service of less than 3 years, over the total service; or”.

Post, p. 140.

(b) Subsection (c) of section 8333 of title 5, United States Code, is amended to read as follows:

80 Stat. 569.

“(c) A Member or his survivor is eligible for an annuity under this subchapter only if the amounts named by section 8334 of title 5 have been deducted or deposited with respect to his last 5 years of civilian service, or, in the case of a survivor annuity under section 8341 (d) or (e) (1) of this chapter, with respect to his total service.”

Ante, p. 136.

SEC. 202. Subsection (g) of section 8334 of title 5, United States Code, is amended—

80 Stat. 569;

(1) by striking out the word “or” at the end of paragraph (3);

81 Stat. 214.

(2) by striking out the period at the end of paragraph (4) and inserting in lieu thereof a semicolon and the word “or”; and

(3) by adding the following new paragraph immediately below paragraph (4):

83 STAT. 139

Infra.

80 Stat. 574.

Unused sick
leave credit.

Cost-of-
living
adjustment.
81 Stat. 215.

Post, p. 140.

Remarriage
provisions.
81 Stat. 216,
217.

"(5) days of unused sick leave credited under section 8339(m) of this title."

SEC. 203. Section 8339 of title 5, United States Code, is amended—

(1) by striking out of subsection (b) the words "so much of his service as a Congressional employee and his military service as does not exceed a total of 15 years" and inserting in lieu thereof "his service as a Congressional employee, his military service not exceeding 5 years,";

(2) by amending subsection (c) (2) to read as follows:

"(2) his Congressional employee service;"

(3) by striking out the last full sentence of subsection (f) :

(4) by striking out "(excluding any increase because of retirement under section 8337 of this title)" in subsection (i) ; and

(5) by adding at the end thereof the following new subsection :
"(m) In computing any annuity under subsections (a)-(d) of this section, the total service of an employee who retires on an immediate annuity or dies leaving a survivor or survivors entitled to annuity includes, without regard to the limitations imposed by subsection (e) of this section, the days of unused sick leave to his credit under a formal leave system, except that these days will not be counted in determining average pay or annuity eligibility under this subchapter."

SEC. 204. (a) Subsection (b) of section 8340 of title 5, United States Code, is amended by inserting "1 percent plus" immediately after the word "by".

(b) Subsection (c) (2) of such section is amended to read as follows:

"(2) For the purpose of computing the annuity of a child under section 8341(e) of this title that commences on or after the first day of the first month that begins on or after the date of enactment of the Civil Service Retirement Amendments of 1969, the items \$900, \$1,080, \$2,700, and \$3,240 appearing in section 8341(e) of this title shall be increased by the total percent increases allowed and in force under this section on or after such day and, in case of a deceased annuitant, the items 60 percent and 75 percent appearing in section 8341(e) of this title shall be increased by the total percent allowed and in force to the annuitant under this section on or after such day."

SEC. 205. The provisions of subsection (b) (1), (d) (3), and (g) of section 8341 of title 5, United States Code, also shall apply in the case of any widow or widower—

(1) of an employee who died, retired, or was otherwise finally separated before July 18, 1966;

(2) who shall have remarried on or after such date; and

(3) who, immediately before such remarriage, was receiving annuity from the Civil Service Retirement and Disability Fund; except that no annuity shall be paid by reason of this section for any period prior to the enactment of this section. No annuity shall be terminated solely by reason of the enactment of this section. Notwithstanding the prohibition contained in the first sentence of this section on the payment of annuity for any period prior to the enactment of this section, in any case in which the Civil Service Commission determines that—

(1) the remarriage of any widow or widower described in such sentence was entered into by the widow or widower in good faith and in reliance on erroneous information provided by Government authority prior to that remarriage that the then existing survivor annuity of the widow or widower would not be terminated because of the remarriage; and

(2) such annuity was terminated by law because of that remarriage;

then payment of annuity may be made by reason of this section in such case, beginning as of the effective date of the termination because of the remarriage.

SEC. 206. (a) The first sentence of subsection (d) of section 8341 of title 5, United States Code, is amended to read as follows: "If an employee or Member dies after completing at least 18 months of civilian service, the widow or dependent widower of the employee or Member is entitled to an annuity equal to 55 percent of an annuity computed under section 8339 (a)-(e) and (h) of this title as may apply with respect to the employee or Member, except that in the computation of the annuity under such section, the annuity of the employee or Member shall be at least the smaller of (i) 40 percent of his average pay, or (ii) the sum obtained under such section after increasing his service of the type last performed by the period elapsing between the date of death and the date he would have become 60 years of age."

Survivor
annuities.
80 Stat. 578.

80 Stat. 574;
81 Stat. 642.

(b) Subsection (e) (1) of such section is amended to read as follows: 81 Stat. 216.

"(e) (1) If an employee or Member dies after completing at least 18 months of civilian service, or an employee or Member dies after retiring under this subchapter, and is survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of—

"(A) 60 percent of the average pay of the employee or Member divided by the number of children;

"(B) \$900; or

"(C) \$2,700 divided by the number of children;

subject to section 8340 of this title. If the employee or Member is not survived by a spouse, each surviving child is entitled to an annuity equal to the smallest of— 81 Stat. 215;
Ante, p. 139.

"(i) 75 percent of the average pay of the employee or Member divided by the number of children;

"(ii) \$1,080; or

"(iii) \$3,240 divided by the number of children;

subject to section 8340 of this title."

SEC. 207. (a) The amendments made by sections 201, 202, 203, and 206(a) of this Act shall not apply in the cases of persons retired or otherwise separated prior to the date of enactment of this Act, and the rights of such persons and their survivors shall continue in the same manner and to the same extent as if such sections had not been enacted. Applicability.

(b) The amendments made by section 204(a) of this Act to section 8340 of title 5, United States Code, shall apply only to annuity increases which become effective under such section 8340 after the date of enactment of this Act.

(c) (1) The amendment made by section 206(b) of this Act shall become effective on the first day of the first month which begins on or after the date of enactment of this Act.

(2) The annuity of each surviving child who, immediately prior to the effective date of such amendment is receiving an annuity under section 8341(e) of title 5, United States Code, or under a comparable provision of any prior law, or who hereafter becomes entitled to receive

83 STAT. 140

70 Stat. 743.
5 USC 8331-
8348.

annuity under the Act of May 29, 1930, as amended from and after February 28, 1948, shall be recomputed effective on such date, or computed from commencing date if later, in accordance with such amendment. No increase allowed and in force prior to such date shall be included in the computation or recomputation of any such annuity. This paragraph shall not operate to reduce any annuity.

Approved October 20, 1969.

LEGISLATIVE HISTORY:

HOUSE REPORT No. 91-158 (Comm. on Post Office & Civil Service).
SENATE REPORT No. 91-339 accompanying S. 2754 (Comm. on Post Office & Civil Service).
CONGRESSIONAL RECORD, Vol. 115 (1969):
 July 23: Considered and passed House.
 Oct. 2, 3: Considered and passed Senate, amended,
 in lieu of S. 2754.
 Oct. 7: House concurred in Senate amendment.

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